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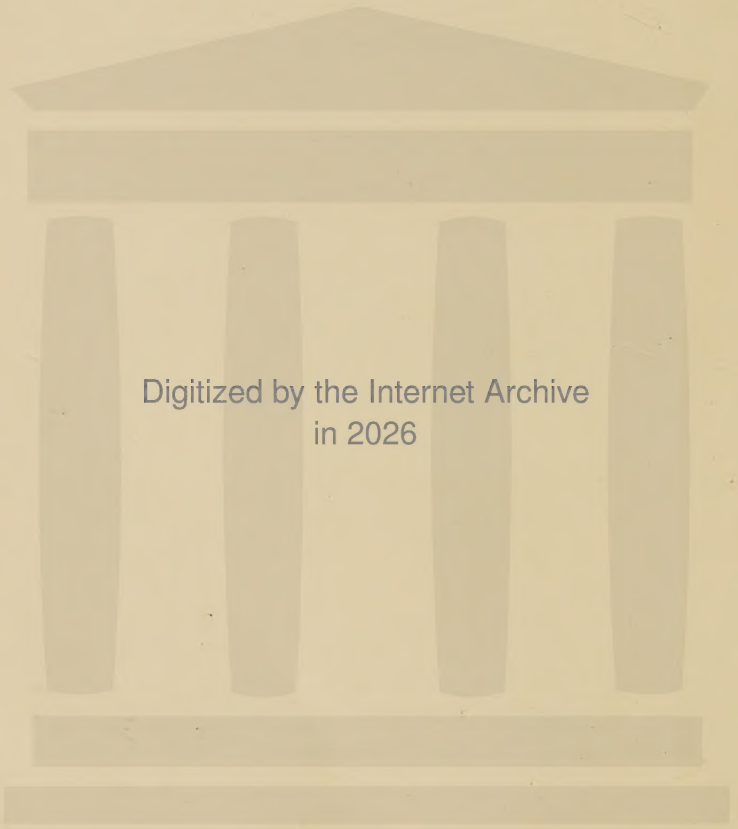
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COMMITTEE ON NATIONAL EXPENDITURE.

8493

# FIRST INTERIM REPORT

OF

# COMMITTEE

ON

# NATIONAL EXPENDITURE.

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# COMMITTEE ON NATIONAL EXPENDITURE

## CONSTITUTION OF THE COMMITTEE.

The Right Honourable Sir Eric Campbell Geddes, G.C.B., G.B.E., M.P. (*Chairman*).

The Right Honourable Lord Inchcape, G.C.M.G., K.C.S.I., K.C.I.E.

The Right Honourable Lord Faringdon, C.H.

The Right Honourable Sir Joseph Paton Maclay, Bart.

Sir W. Guy Granet.

With Mr. Gerald A. Steel, C.B., as *Secretary*.

PUBLIC
C
R
67 49159

## TERMS OF REFERENCE.

To make recommendations to the Chancellor of the Exchequer for effecting forthwith all possible reductions in the National Expenditure on Supply Services, having regard especially to the present and prospective position of the Revenue. In so far as questions of policy are involved in the expenditure under discussion, these will remain for the exclusive consideration of the Cabinet; but it will be open to the Committee to review the expenditure and to indicate the economies which might be effected if particular policies were either adopted, abandoned or modified.

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# INTERIM REPORT OF COMMITTEE ON NATIONAL EXPENDITURE.

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To the Right Hon. Sir ROBERT HORNE,
G.B.E., K.C., M.P.,
Chancellor of the Exchequer.

Sir,

THE subject which you have referred to us for investigation is one of such complexity, and the need for effecting immediate retrenchment of public expenditure is so imperative, that we think it best not to delay reporting until we have covered the whole field, but to render our preliminary observations to you in the form of an Interim Report, and we understand that this procedure will be agreeable to you. We have dealt with Departments where great expenditure is involved, as it is in those Departments that substantial economies must be looked for.

We will report subsequently upon the other Departments where the money involved makes it impossible to suggest large reductions

In May of this year, the Treasury issued a circular to all Departments of Government on the subject of "Restriction of Public Expenditure." In this circular, the vital need of a heavy reduction in the estimates of the ordinary Supply Expenditure for 1922/23 was emphasised, and immediate proposals to that end were called for. It was plainly indicated that the cost of the Ordinary Supply Services, viz., £603,000,000 for 1921/22, *must* be reduced to £490,000,000 for 1922/23.

The situation, as explained to the Departments in May, demanded a reduction of £113,000,000, but you have since asked us to aim at economies which in the total would effect a reduction of expenditure of £175,000,000.

The Government Departments, in response to the Treasury circular of May last, have themselves proposed reductions amounting in all to £75,000,000, so that there remains a sum of £100,000,000 to be secured by further reductions.

In many cases, the reductions proposed by the Departments are automatic, due to the fall of prices and wages, or to windfalls or to the cessation of special expenditure on services arising out of the war. The reductions in estimates shown in response to your circular are therefore by no means fully the result of curtailment of activity, or of economical administration, and this point cannot be too clearly brought out.



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In this Interim Report we deal with the following Services :—

| | |
|---|---|
| Navy. | Part I. |
| Army. | |
| Air Force. | |
| Education. | Part II. |
| Health. | |
| Labour. | |
| Old Age Pensions. | |
| War Pensions. | Part III. |

The provisional estimates for 1922/23, after making the reductions of £75,000,000 referred to above, amount to £528,000,000 for Ordinary Supply Services. The Services covered by this Interim Report account for £390,000,000 of that total. Ninety-six Votes (excluding Irish Departments) remain for examination, accounting for the balance of £138,000,000.

Our report is the result of close study of the estimates and of consultation with the Treasury and Ministers and officials of the Departments named.

While we will later refer to the very important question of Treasury control of Departmental expenditure, it will, we think, assist you in understanding the form of our recommendations if we explain how we understand Treasury control over the framing of the Estimates of the Fighting Services to have been exercised before the war.

The procedure, as explained to us by experienced Treasury officials, was broadly that the estimates of the previous year or years were taken to form a base line, and that the deviations from that line were arrived at by consultation between the Chancellor of the Exchequer and the Minister at the head of the Department. As a result of the consultation, the Minister would know that the Chancellor of the Exchequer was prepared to budget for estimates representing a certain sum of money, and would tell his Department the amount available for the following year's estimates.

The essence of this system was to take the previous year's normal expenditure, from which to measure departure. Whilst not in any way commending this principle as ideal, it is obviously better than the present practice, under which, owing to the dislocation of the war, the Treasury have been driven to criticising in detail, with inadequate data and with insufficient time for the purpose.

During the war, in the case of the Fighting Departments, the Government was obliged to accept the statements of the Naval and Military advisers as to the money required by their Departments.

In our opinion, the time has come when the Government must say to these Departments how much money they can have, and look to them to frame their proposals accordingly.

We have throughout stated in some detail where we think economies can be effected, and have arrived at conclusions as to the limits which should be communicated to the Departments within which their estimates should be framed.

# PART I.

## INTRODUCTORY REMARKS ON NAVY, ARMY AND AIR FORCE ESTIMATES.

*Cost of Defence of the Empire.*

We have come to the conclusion that the cost of the defence of the Empire, so far as it falls upon the British taxpayer, must be considered as a whole. The necessity for this is much more apparent now than it was before the war, more especially because of the advent of the Air arm, which has come so much to the front, either as an addition to the older fighting services, or in substitution for them.

1. The following figures show the growth of expenditure under the heading of Defence generally :—

*Fighting Services.*

*Total Estimates.*

(Figures are net, and exclude terminal war charges* for 1922/23.)

| —— | 1914/15. | | 1922/23. | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| (i.) Navy ... ... | — | 51,550,000† | — | 81,183,800† |
| (ii.) Army ... ... | 28,845,000 | 28,845,000 | 64,197,800 | 75,197,800 |
| Middle East ... | Nil | | 11,000,000 | |
| (iii.) Air ... ... | „ | Nil | 12,452,400 | 14,173,100 |
| Middle East ... | „ | „ | 1,720,700 | |
| Add value of stores consumed from stock. | — | — | — | 5,134,600 |
| Total ... | — | 80,395,000 | — | 175,689,300 |

These figures show an increase of upwards of £95,000,000 per annum.

The personnel of the Fighting Services has risen from 333,000 in 1914/15 to nearly 362,000 in 1922/23, and it is apparent that whilst increasing in personnel the Fighting Services have enormously increased in effectiveness by the addition of new arms and improved instruments of war.

*Basis of Departmental Estimates, and Government Policy.*

2. In order to see how the estimates of money and personnel are framed, it is necessary to consider the principles upon which the three Departments have forecast their activities and expenditure.

* Figures not available for Navy, but they are negligible. Army total, £2,937,000. Air, £504,900.

† Including new Naval construction : 1914/15, £15,628,257 ; 1922/23, £14,644,000.

We understand that it was an instruction of the Government, given in the year 1919, that the estimates for the three Fighting Services were to be built up " on the assumption that no great war was to be anticipated within the next ten years, although provision should be made for the possible expansion of trained units in case of an emergency arising."

We have pursued our investigations in the light of this instruction to the Fighting Services.

*The Navy* bases its estimates upon the principle of a "One-Power Standard," which has been adopted by the Government, but it is obvious that the translation of that standard into £ *s. d.* in the Estimates admits of great variation according to the views of the chief naval advisers and specialists.

*The Army* has no such standard to guide it. It appears that the Army Estimates are framed to provide certain garrisons overseas, together with a system of reliefs for those garrisons, known as the " Cardwell System." This has in the past resulted in a theoretical six Infantry Divisions and one Cavalry Division at home, which, together with certain additional Infantry units, formed the British Expeditionary Force in 1914. The estimates are cast to provide such a force again, only much more powerfully equipped, with additional arms, born of war experience—*e.g.*, Tanks, Signals and Heavy Artillery—and irrespective of the estimates of the Air Ministry. A small provision is also made for Home Guards.

*The Air Force* bases its estimates on different considerations. They provide for the needs of the Navy and Army as adjusted with the services concerned, and for the maintenance of a small independent force as a reserve. They also provide large sums of money for education, training and research in the art of air navigation and fighting, and for civil aviation.

It is from these three different standpoints that the estimates for the Fighting Services are framed.

### *Improvement of Fighting Material.*

3. We select for special mention one outstanding feature which is common to these three estimates. The war created new problems, demonstrated weaknesses and suggested lines of development. The increase in activities coming under the head of Research, Experiment, Inspection and Education in all three services is very striking, as the following figures show :—

| | 1914/15. | 1922/23. |
|---|---|---|
| | £ | £ |
| Research, Experiment and Inspection | 702,580 | 4,217,795 |
| Educational Services ... ... ... | 447,000* | 3,717,000* |
| Total ... | 1,149,580 | 7,934,795 |

* Include nothing for cost of personnel under training. Exclude Admiralty training establishments, and in the case of the Army the cost of training given in the Units.

The importance of this activity, however, is not merely measured by the money involved. It naturally carries in its train much indirect increase of expenditure, and also the substitution of new material for old, and of alterations in the engines of war. It inevitably also creates a tendency in the minds of technical advisers to prescribe an accelerated rate of obsolescence in war material.

*Increase in Fighting Power.*

4. We must record a very marked impression derived from long conference with the departmental representatives of the three Fighting Services.

The estimates provide that in the year 1923, the fifth year after the Armistice was signed, with a broken and exhausted Europe and with no German menace, we are to have far greater fighting power, with a larger personnel, and greater preparations for war than ever before in our history. Additional services, more deadly weapons, additional systems are added to the old formations or to the old units.

Apart from our detailed proposals for economy we are of opinion that the Estimates for the defence of the Empire lack co-ordination, and we have been forced to the conclusion that until that co-ordination is attained, overlapping and wasteful expenditure is inevitable.

*The Question of a Separate Air Force.*

5. The Air Force was essentially a war creation, and owed its separate existence mainly to the necessity for preventing competition between the Navy and the Army for men and material in aerial warfare. It was also felt at that time that a definite function of independent air attack was called for, but would not be realised unless the Air Arm was freed from Naval and Military control. No other nation, however, has as yet followed the example of this country in establishing such a separate force.

The Navy and the Army both urge that the most effective and most economical use cannot be made of the Air Arm so long as the personnel is controlled by another service, and they suggest in general terms that it might be possible to effect economies by utilising air forces in place of, say, light cruisers in the Navy or cavalry in the Army, but no concrete proposals on these lines have been furnished to us. The War Office also suggest economies in administration, for example, in supply, transport, education and medical services.

On the other hand, it can be pointed out that by dividing the Air Force between the two Senior Services duplication in experiment, design and supply would be inevitable, and that duplicate flying schools would result. To avoid duplication the two Senior Services admit the need for a certain amount of joint organisation of a subordinate character, but have given no clear appreciation of what this joint organisation should be.

There is the further argument that without a separate existence there is a grave danger that the Air Service would be unable to work out developments which might in the next decade or so entirely revolutionise methods of attack and defence and so render possible very large economies in the cost of the Fighting Services as a whole, by substituting Air for Land or Sea Forces.

We appreciate that it is only on financial grounds that our terms of reference would entitle us to express opinions on the question of a separate Air Force.

We cannot say that we have been convinced that the Air Force is less economically administered that the other Fighting Services, but we are impressed by the fact that public funds are admittedly being spent in both of the older Services because of a certain overlapping with the Air. The question of aerial versus naval or military command in operations in the future will doubtless cause difficulties; but economies to an increasing extent ought to result in the older Arms from the advent of the Air Force. We have in mind not only the substitution of aircraft for certain other arms of the older Services, such as light cruisers or cavalry, but a revolution in the method of carrying out certain operations. We are particularly impressed with the very large savings which we are told can be realised in the Middle East as soon as the transfer of responsibility from the Army to the Air Force can be effected. By the use of aircraft in this region it has been found possible to reduce the estimates in respect of the Middle East from £27,000,000 in 1921/22 to £13,000,000 in 1922/23.

It can no longer be denied that by the intelligent application of air power it is possible to utilise machinery in substitution for and not as a mere addition to Man-power.

## MINISTRY OF DEFENCE.

**6. In our opinion full economy in the Fighting Services cannot be realised under existing conditions. There is overlapping and duplication throughout. In order to fully realise these economies the three Forces must be brought together by the creation of a Co-ordinating Authority or a Ministry of Defence responsible for seeing that each Force plays its part and is allotted appropriate responsibility for carrying out various functions. The theory of such a Ministry in embryo appears already to exist in the Committee of Imperial Defence. With the creation of a Co-ordinating Authority or Ministry of this description it would be possible to ensure that corresponding reductions in expenditure were realised when either of the older Services was relieved or assisted, and no additional expense or extra Ministerial appointment need, in our opinion, be involved, as the Minister and his staff could all be drawn from existing organisations. All the arguments of an economic character which have been urged for the absorption of the Air Force into the two older Services apply, in our opinion, also to the fusion of all three Services under one**

**Minister. Complete co-ordination in Supply, Transport, Education, Medical and other Services would then be possible.**

**We attach great importance to a settlement of this question in the interests of economy, and with these remarks we proceed to a consideration of the Estimates of the three Fighting Services individually.**

---

## Chapter I.

### NAVY ESTIMATES, 1922/23.

The net cash provision for the Navy shows the following comparisons :—

| Estimates— | £ |
|---|---|
| 1913/14 ... ... ... ... | 46,309,300 |
| 1914/15 ... ... ... ... | 51,550,000 |
| 1921/22 ... ... ... ... | 82,479,000 |
| 1922/23 ... ... ... ... | 81,183,800 |

A table, given as Appendix (A), shows, Vote by Vote, the comparison between the Estimates for 1914/15, 1921/22 and the Provisional Estimates for 1922/23.

*Preliminary Remarks.*

Of the £81,000,000 for which the Admiralty estimate in 1922/23, £11,816,000 is on account of the construction of the four new Capital Ships, the Contracts for which have been let but suspended. We make no comments on this expenditure, and throughout our report we have taken no account of any reductions which may result from the Washington Conference. If any agreement on the lines proposed by the President of the United States of America is arrived at, we could give further estimates of reduction.

In present circumstances, therefore, we confine ourselves to the remaining approximate £70,000,000.

Throughout our review, we have kept constantly in mind the instruction of the Government, given in 1919 to all the Fighting Services, " that in framing their Estimates, they should proceed on the assumption that no great war is to be anticipated within the next ten years, although provision should be made for the possible expansion of trained units in the case of an emergency arising."

The Admiralty have clearly given the deepest thought to the production of a thoroughly equipped force to meet immediately any possible Naval contingencies. Their plans seem to us to

take too little account of the period of peace which they have been instructed to anticipate, and of the present serious financial condition of this country.

We now proceed to examine the various Votes in detail.

## 2.—Vote 1. Wages and Allowances of Officers, Seamen and Boys, Coastguard and Royal Marines.

| | £ |
|---|---|
| 1913/14 audited Expenditure ... | 8,262,203 |
| 1921/22 net Estimate ... ... | 18,314,000 |
| 1922/23 net Estimate ... ... | 17,593,500 |

This Vote must be considered in conjunction with Vote A, which is not a Vote in terms of money, but in numbers of officers and men.

The numbers borne on Vote A, *i.e.*, the numbers of officers, seamen, boys, coastguard and Royal Marines, show the following comparison :—

| | | |
|---|---|---|
| Actual, 1913/14 ... ... | 142,960 | Average throughout the year. |
| Estimates, 1921/22 ... ... | 122,700 | |
| Estimates, 1922/23 ... ... | 121,600 | |

The increase in cost from £8,000,000 to £17,000,000 is striking when coupled with a reduction of 21,000 personnel.

In order to appreciate the manning situation which, in turn, directly affects all the other items of expenditure, it is necessary to set out the basis on which—

(*a.*) The Admiralty have framed their Peace Fleet and their War Fleet; and

(*b.*) The arrangements for manning these Fleets.

### 3. (a.) *The Basis of the Peace Fleet and War Fleet.*

The " One-Power Standard " upon which the Admiralty are working involves " that the Navy should be maintained in sufficient strength to ensure the safety of the British Empire and its sea communications as against any one other Naval Power." For this purpose the Admiralty keep a Peace Fleet which, in case of emergency, can be expanded into a War Fleet. The Fleet at present proposed for 1922/23 is composed as shown in the following table, in which it is divided into two main categories :—

(i.) With full complement;

(ii.) In " Reserve " in various states of readiness, with varying " reduced complements." These ships do not go to sea normally until brought up to full crews on mobilisation.

| | With Full Complement. | Reserve. | | Total War Fleet. |
|---|---|---|---|---|
| | | With Reduced Complement. | In Care and Maintenance. | |
| Battleships ... ... ... | 13 | 9 | — | 22 |
| Battle Cruisers ... ... | 3 | 3 | 1 | 7* |
| Cruisers ... ... ... | — | 2 | — | 2 |
| Light Cruisers ... ... | 33 | 12 | — | 45 |
| Flotilla Leaders ... ... | 8 | 8 | — | 16 |
| Destroyers ... ... ... | 64 | 113 | — | 177 |
| Aircraft Carriers ... ... | 4 | 2 | — | 6 |
| Submarines ... ... ... | 46 | 16 | 27 | 89 |
| Torpedo-Boats ... ... | — | 2 | — | 2 |
| Minelayers ... ... ... | — | 4 | — | 4 |
| Monitors ... ... ... | — | 2 | — | 2 |
| Sloops ... ... ... | 20 | — | 1 | 21 |
| Gunboats ... ... ... | 19 | — | 2 | 21 |
| Surveying Ships ... ... | 9 | — | — | 9 |
| Hospital Ships ... ... | 2 | — | — | 2 |
| Patrol Boats ... ... ... | 3 | 13 | — | 16 |
| Minesweepers... ... ... | 7 | 8 | 46 | 61 |
| Depot Ships ... ... ... | 15 | 5 | — | 20 |
| Tugs ... ... ... ... | 5 | — | — | 5 |
| Trawlers ... ... ... | 26 | — | 1 | 27 |
| Drifters ... ... ... | 2 | 2 | 6 | 10 |
| Whalers ... ... ... | — | 2 | — | 2 |
| Special Service Vessels ... | 15 | — | — | 15 |
| Diving Tenders ... ... | — | 3 | — | 3 |
| Motor Launches ... ... | 5 | — | — | 5 |
| Miscellaneous... ... | — | 4 | — | 4 |
| C.M.B.'s ... ... ... | 5 | — | — | 5 |

* In addition, there is H.M.A.S. "Australia," a battle-cruiser in Australian waters.

For the purpose of comparison a table is attached (Appendix (B) ), giving the numbers proposed for 1922/23 as compared with those of 1914 pre-war.

In the above table the "full complement" ships form the Peace Fleet and the total number form the War Fleet. These numbers have presumably been based on a comparison with other Naval Powers.

In the course of our conference with the Admiralty representatives, we ascertained that the British War Fleet comprises 30 Capital Ships, whereas the United States of America have only 20 Capital Ships of the Dreadnought type, and Japan 10. The Admiralty justify Great Britain's preponderance in a memorandum which they have sent to us and which is contained in Appendix (C).

We would only say that, as we understand Naval opinion, nothing we can do now in the way of keeping obsolescent ships in full commission or in reserve is going to make these latter a match for the post-Jutland ships eight years hence. It may be

that, in the future, the political outlook may require that we should concentrate on building more post-Jutland ships, but that contingency is not for us to consider, and on a review of the *present* position, we are not satisfied that such a large Peace Fleet and potential War Fleet, as the Admiralty are planning, are required. A table is attached (Appendix (D) ) giving the comparative strengths at the present time of the War Fleets of Great Britain, the United States and Japan, in terms of " Capital Ships," *i.e.*, battleships and battle cruisers. We have no ship launched earlier than 1910 out of our 30 Capital Ships. The United States have 9 out of 24, and Japan has 11 out of 21. If modernity in Capital Ships is the ultimate expression of power, we are maintaining an overpowering Fleet, involving great expense, in full upkeep and personnel.

In view of the instruction of the Government that it may be assumed that no great war is to be anticipated for some years, and in view of the comparative strengths of the Great Navies of the world at the present moment (as shown in Appendix (D) ), we suggest that the Government should discuss with their Naval advisers the reduction of some of the Capital Ships now in " Full Complement " into " Reserve " and the reduction of a number now in Reserve to the Sale List. We suggest that any reductions of Capital Ships should be accompanied by proportionate reductions of all classes of their ancillary craft, *i.e.*, Light Cruisers, Torpedo Craft and Submarines.

We also suggest that the Government should consider whether the advantages gained from having a number of Light Cruisers " showing the Flag " in various parts of the world justify the large expenditure entailed. It is estimated that each light cruiser reduced to " Reserve "would mean a saving of £100,000 per annum in personnel, upkeep and running expenses, and that each light cruiser placed on the sale list would mean a further large saving.

4. (b) *Manning arrangements.*

The following is an extract from the Admiralty's explanation of the basis on which the Peace and War Fleets are manned (the full details are given in Appendix (E) ) :—

> " The dominating factor in settling the numbers of officers and men required to be borne is the size of the War Fleet which is the list of actual ships allocated for carrying out the responsibilities of the Admiralty in the event of war.
>
> " The Fleet is actually maintained in peace on a different basis from what is required in war. In war, all ships must be completed to full crews—either by active service ratings or with a proportion of Naval Reserves entered on mobilisation, according to the purpose for which, and the urgency with which the particular vessel would be required in case of emergency. In peace, only a certain proportion of the total War Fleet is kept in full commission, and the remainder are on reduced bases differing in status according to their position in the War Fleet.
>
> " The following table shows the difference of status which exists in peace in relation to the War Fleets :—

| *Status in Peace.* | *Status in War.* |
|---|---|
| " (i.) Full crews active service. | " (i.) Full crews active service. |
| " (ii.) Half crews active service. | " (ii.) ,, ,, |
| " (iii.) In reserve, crews varying from one-fifth to one-tenth of full numbers. | " (iii.) Two-fifths crews active service, balance naval reserves, entered on mobilisation. |
| " (iv.) Harbour establishments, schools, barracks, &c., permanent complements instructors, experimental parties, and care of establishments. | " (iv.) Harbour establishments reduced in varying degrees on account of certain duties which lapse in war. |

" It is obvious that the difference between peace and war for (ii) and (iii) above and the whole of (iv) in peace will be in harbour or on shore in peace time, yet none could be dispensed with without prejudicing their ultimate disposal in war time.

" The difference between peace and war for (ii) and (iii) provides a working margin for the Fleet during peace. Men must be passed through training schools, travel to and from foreign stations and have leave, and there must always be a margin for sickness."

We venture to invite your very careful study of this statement of the principles upon which the man power of the Navy is cast. It is of the utmost importance. On examination we have come to the conclusion that these principles have not been accurately interpretated and that there has been excessive provision of men.

The following table shows the personnel of the Navy, analysed under various heads, in 1914 and in 1921/2, and we invite your detailed consideration of these tables, pointing out that these are not estimates, but actuals, supplied by the Admiralty (see Appendix (E) 2) :—

NAVY Personnel.

| | 1914 (Pre-War). Two-Power Standard. | | 1921/22. One-Power Standard. | |
|---|---|---|---|---|
| GROUP I. | | | | |
| Fighting Ships, viz., Battleships, Battle Cruisers, Cruisers, Light Cruisers, Torpedo Craft, Submarines and Aircraft Carriers— | | | | |
| *In Peace*— | | | | |
| Fully Commissioned. | 66,180 | | 49,650 | |
| Second Fleet ... | 17,850 | | 3,650 | |
| Reserve Ships ... | 5,070 | | 8,200 | |
| | | 89,100 | | 61,500 |
| *In War*— | | | | |
| Additional Personnel required. | | 20,400 | | 9,670 |
| Total Group I Personnel required in War. | | 109,500 | | 71,170 |

Under Group I, for both years, we get the actual numbers of men required in accordance with the views of the Admiralty for manning the actual ships which they maintain in various states of readiness, and here there is a reduction in personnel from 109,500 to 71,170 or 38,330 men.

| | 1914 (Pre-War). Two-Power Standard. | | 1921/22. One-Power Standard. | |
|---|---|---|---|---|
| GROUP II. | | | | |
| Depot Ships, Minelayers, Minesweepers, Sloops and Gunboats— | | | | |
| Peace Complements retained in War. | 7,350 | | 9,040 | |
| Additional Personnel required in War. | 1,100 | 8,450 | 1,180 | 10,220 |
| Special Service, Surveying, Auxiliary and Miscellaneous Vessels— | | | | |
| Peace Complements retained in War. | 3,950 | | 5,800 | |
| Additional Personnel required in War. | 5,600 | 9,550 | 4,600 | 10,400 |
| Total Group II Personnel required in War. | | 18,000 | | 20,620 |
| GROUP III. | | | | |
| Coastguard, Harbour Ships and Retinues— | | | | |
| Peace Complements retained in War— | | | | |
| Coastguard ... ... | 2,000 | | 3,100 | |
| Harbour Ships at— | | | | |
| Home ... ... | 2,400 | | 9,700 | |
| Abroad ... ... | 1,600 | | 1,900 | |
| Retinues ... ... | 500 | 6,500 | 1,050 | 15,750 |
| Additional Personnel required in War— | | | | |
| Harbour Ships Abroad. | | | 140 | |
| Retinues ... ... | 200 | 200 | 170 | 310 |
| Total Group III Personnel required in War. | | 6,700 | | 16,060 |
| GROUP IV. | | | | |
| Cadets and Boys in training. | | 8,800 | | 5,800 |
| Not otherwise accounted for. | | 7,200 | | 9,050 |
| New Zealanders ... | | 100 | | — |
| Total Personnel ... | | 150,300 | | 122,700 |

But when we come to Group II, which is composed entirely of auxiliaries, we find that there the personnel has increased from 18,000 to 20,620 or 2,620 men.

When we come to Group III, which is shore establishments, there is an increase from 6,700 to 16,060, or 9,360 men.

Cadets and boys show a decrease from 8,800 to 5,800, but 1914 was, we understand, an abnormally high year for entries for this class.

It is clear, therefore, that while the Fighting Fleet under Group I has dropped in numbers, the auxiliaries and the shore establishments have increased in numbers very greatly. But that is not all. Although in the principles laid down by the Admiralty which we have detailed above, no mention is made of a margin over and above the necessary complements to bring ships and establishments up to their war crews of active service ratings, we find from this disintegration that in 1914 there was a margin not otherwise accounted for of 7,200 men, which has now, with a *reduced* Fleet and with *increased* provision in all establishments ashore, increased to 9,050, not accounted for or justified in any way whatsoever.

With a reduction of 38,000 men in the year 1921/22 in Group I, which consists of the fighting ships of the Navy, it would not have been unreasonable to expect—having regard to the great need for economies, and the fact that the menace of the German Fleet across the North Sea no longer existed—that a decrease could have been made in the shore establishments and in the ancillary craft compared with the numbers of personnel employed in 1914. On the contrary, however, there is an increase of 11,980 men, and on top of that, we have the further margin of the above-mentioned 9,050 men.

We have considered what would be a reasonable allowance for the active service personnel of the Navy in all the circumstances existing to-day, and we make the following suggestions :—

*Group I : Fighting Ships.*

The Active Service strength required in war by the Admiralty to man all the ships retained in the 1922/23 Estimates is 68,600* men, and we have adopted this figure ... ... 68,600

*Group II and Group III : Depot Ships, Minelayers, Special Service Vessels, Harbour Ships at Home and Abroad, &c. (exclusive of the Coastguard).*

It will be seen that with a fighting Fleet reduced to the one-Power standard nominally, and personnel for this Fleet reduced by 37 per cent., the Admiralty are providing increased numbers throughout in these Groups.

We particularly draw attention to the increase in Harbour Ships at Home, Abroad, and in Retinues, and the very large increase which is shown in the table of ships below Submarines in Appendix (B), both in full complement and in reduced complement.

It is clear that provision on a far more generous scale than was contemplated in 1914 is made for these ships, and in view of the imminence of war at that time, and of the remote possi-

* This figure is less than the 71,170 shown on previous page, because the Admiralty propose to man fewer ships in 1922/23 than in 1921/22.

bility of war at the present time, we are of opinion that great reductions should be possible in these auxiliary and ancillary classes and establishments.

We suggest that a 50 per cent. reduction on the 1914 full war complements would not be excessive, but we have adopted for the basis of this estimate the same percentage reduction in personnel as the Admiralty have themselves applied to the personnel of the fighting Fleet. If, in the opinion of the Government, this is too small a reduction, it could easily be increased, but a reduction of 37 per cent. gives an allowance of 14,300 men, which provides 4,347 active service ratings required in peace, but whose places could be filled in war by Reservists, or men from Mercantile Marine, &c. ... ... ... ... ... 14,300

*Coastguard.*

In view of our recommendations in para. 11, we are of the opinion that the peace complement retained in war of 2,000 should be reduced by 25 per cent., leaving 1,500 men ... ... 1,500

*Group IV: Cadets and Boys in Training.*

We are of the opinion that the numbers for 1922/23 should be the 1921/22 numbers reduced *pro rata* to the personnel generally. This gives a figure of 4,000... ... ... 4,000

| | |
|---|---|
| Total ... ... ... ... ... | 88,400 |
| Numbers asked for ... ... ... | 121,600 |
| **Excess provision if above Estimate adopted ... ... ... ...** | **33,200** |

We wish to make it perfectly clear that in building up this figure of 88,400 men we have allowed the Admiralty the full number of men asked for for the fighting ships of the Navy, including 8,494 men not required afloat in Peace, but required to bring up the ships to their War Complements. We have also allowed 4,347 men in Groups II and III who would be available for other duties on the outbreak of war; so that, in effect, out of the total of 88,400 men we have provided 12,841 personnel who could be employed for crossing reliefs, training in schools, and similar duties.

In addition to the 12,841 referred to above, it must be remembered that there are at all times in barracks the crews of ships refitting in the Dockyards, which will, to a large extent, be available for relief work and training of one kind and another. We look upon it as essential in the interests of the Taxpayer that this additional personnel, held as Active Service Reserve

for Mobilisation, should be effectively employed. There are many directions in which this can be done to the saving of large expense under the heading of Civilian Personnel, Harbour Ships, Coastguard, and Metropolitan Police.

Further, we have based our proportionate estimate of the manning of Groups II and III on the 1914 standard. We think that the Admiralty would be able, on investigation, to adopt in these Groups a less immediate state of readiness, now that there is no German threat to fear, with reduction in personnel.

It is pointed out in paragraph 8 that the Officers' Servant class is one which, in our opinion, could be dispensed with in the interests of economy. In these circumstances, and in accordance with the considerations above, we do not think it too severe to recommend that the Personnel, Officers and Men should not exceed 86,600 for 1922/23 instead of the 121,600 asked for, a reduction of 35,000.

In this recommendation we have taken no account of any reduction—

(*a.*) In the Fleet which the Government may decide upon as suggested in paragraph 3.

(*b.*) In the Fleet and Building Programme which the Government may contemplate as a result of the Washington Conference.

(*c.*) In the standard of Manning of Ships, Shore Establishments and Retinues in Groups I, II and III which would, we have little doubt, result from a careful scrutiny. A 5 per cent. reduction would amount to a saving of about £1,000,000.

We propose now to indicate a few other directions in which we consider that the Navy Estimates submitted to us have been cast on too generous a scale; but it must be obvious that these suggestions can only be taken as examples illustrating our view. It has been impossible for us to consider exhaustively every item of expenditure; but from the following considerations we are satisfied that, besides those mentioned, there are many other ways in which striking reductions could be made.

5. *1. Surplus of Officers.*

We were much struck by the increased ratio of officers to men between pre-war and the present time. The following are the figures:—

| | Officers. | Men. |
|---|---|---|
| Fleet— | | |
| Pre-war ... ... ... ... ... | 1 | to 13 |
| Now ... ... ... ... ... ... | 1 | to 11 |
| Coastguard— | | |
| Pre-war ... ... ... ... ... | 1 | to 10 |
| Now ... ... ... ... ... ... | 1 | to 6 |
| Marines— | | |
| Pre-war ... ... ... ... ... | 1 | to 35 |
| Now ... ... ... ... ... ... | 1 | to 29 |

The actual increase of officers in the above Services is 417, whereas the men are about 24,000 less than pre-war; so that on the basis of the pre-war ratio there is an excess of 1,900 officers. Part of the increase is explained by the Admiralty as being required as the result of war experience and the increased complexity of modern weapons and machinery. But even so, there is a very serious and costly surplus.

Flag officers still show the same numbers as pre-war, *with a smaller Fleet*, except that there are three additional Admirals of the Fleet, being "special War Promotions."

As regards "Executive Officers" below Flag rank, the following are the figures :—

| | August 1, 1914. | October 1, 1921. |
|---|---|---|
| Captains ... ... ... | 290 | 343 |
| Commanders ... ... | 425 | 555 |
| Lieut.-Commanders ... | 699 | 563 |
| Lieutenants ... ... | 1,170 | 1,642 |
| Acting Lieutenants ... | — | 263 |
| Sub-Lieutenants ... | 327 | 354 |
| Midshipmen ... ... | 401 | 517 |
| | 3,312 | 4,237 |

This table shows an increase—*with a smaller Navy*—of 925 Executive Officers.

A similar surplus applies in the case of the "Engineer" Officers. It is not necessary to elaborate this point, but we do recommend that it should receive immediate treatment. A surplus of officers cannot but lead to increased expenditure in a Service, and the matter should be dealt with even though the remedy may result in a considerable increase of the Non-Effective Vote. We will refer to this point in relation to all three Fighting Services at a later stage. At the same time, we recommend that the Admiralty should not bring back officers temporarily from the unemployed and half-pay lists on to the full-pay list, with the result of preventing them from being retired for non-service.

6. *2. High Commands, Staffs and Retinues.*

We suggest that the Admiralty should consider whether it is not possible to abolish certain High Commands which existed during the war, but which appear to us to have now lost their significance. Such Commands, involving large charges for staff and accommodation, appear only to be justified when a large number of ships or men are located in the area of the Commander-in-Chief. We do not think that any such justification exists in the case of the Commander-in-Chief, Coast of Scotland, which Command, we suggest, might be amalgamated with the Nore Command, as before the war. Further, we recommend that the post of Commander-in-Chief, Western Approaches, should be abolished, being absorbed in the Command of the Commander-in-Chief, Plymouth.

We deal under Vote 8 with the question of reducing Gibraltar Dockyard to a skeleton organisation, and, if that is effected, we think that there would be no need to retain the Rear-Admiral who is now in charge of Gibraltar and who also acts as Admiral Superintendent of the Dockyard.

We are by no means satisfied that for all practical purposes the whole Command ashore in this country could not be exercised by one Comander-in-Chief, and we suggest that there should be a special investigation into this point, especially having regard to the reductions in personnel recommended. We do recognise, however, that the popularity of a Service requires a few positions of dignity, and it may be that three High Commands ashore in this country are called for on that account. Whether one or more, however, is retained, the cost of Staff and Retinues, and scale of allowances, provision of motor cars and boats, should be drastically reduced. The cost of the five Home Commands, exclusive of free houses, is £214,000, and details are given in Appendix (F), 1, 2 and 3. We invite particular attention to these Appendices. (F) 1 gives details of the Retinues. These appear unjustifiable, and we do not think that the country should be asked to provide them on any such scale. In addition to these Retinues, allowances in lieu of domestic servants are paid varying from £375 to £750 a year. The analysis of cost given in Appendix (F) 2 shows that with a salary of £2,500 over £3,000 is drawn in allowances made in cash and not subject to Income Tax. Roughly, a staff of about 20 officers, costing £17,000 per annum, has a Retinue costing slightly more to wait upon it. We suggest that an economy in such a matter "at the top of the Service" would set an example for similar economies elsewhere.

7. *3. Shore Establishments.*

We have considered the numbers of officers and men borne as the peace complements of shore establishments at Home and abroad, and are impressed with the fact that, with a smaller Navy, the peace complements have grown from 1,102 officers in 1914 to 1,451 officers in 1922/23. The Naval ratings have increased in the same period from 8,557 to 10,423—an increase of 2,215 officers and men, or 23 per cent. Details at each Port are given in Appendix (G). There is a further significant fact in connection with these establishments to which attention should be called. Before the war, large numbers of the short establishments were earmarked as available for active service on mobilisation, *e.g.*, out of the total of 1,102 officers and 8,557 men in 1914, 507 officers and 4,135 men were shown as available on mobilisation. Now, however, the Admiralty regard these increased numbers as a permanent requirement for these shore establishments either in peace or war, and they do not show any officers or men as available on mobilisation, in spite of the 23 per cent. increase in the establishments and the reduction in the Navy. We consider this as an illustration of the lavish way in which man power is employed.

8. *4. Officers' Stewards and Cooks.*

We also suggest that the Admiralty should give attention to the numbers of Officers' Stewards and Cooks. These men are entered as Naval ratings. We are aware that special posts are assigned to them when the ship is "in action," but we understand that their numbers are not dictated by the requirements "in action," but by what is considered to be a reasonable scale of servants for normal times, and they are in fact professional "domestics." The Admiralty have supplied us with the following details, and we feel that the numbers of Stewards and Cooks allotted to the Ward Room Mess, the Gun Room Mess and the Warrant Officers' Mess on a sliding scale, according to the size of the Mess, are not inappropriate. The following table, however, shows the number of Officers' Stewards and Cooks authorized for Flag Officers, Commodores and Commanding Officers :—

| —— | Admiral. | Vice-Admiral | Rear-Admiral. | Commodore, 1st class. |
|---|---|---|---|---|
| Officers' chief steward or officers' steward— | | | | |
| 1st class ... ... ... | 1 | 1 | 1 | 1 |
| Officers' steward— | | | | |
| 1st class ... ... ... | 2 | 1 | 1 | 1 |
| 2nd class ... ... | 5 | 3 | 1 | 1 |
| Officers' chief cook or officers' cook— | | | | |
| 1st class ... ... ... | 1 | 1 | 1 | 1 |
| Officers' cook— | | | | |
| 2nd class... ... ... | 1 | 1 | 1 | 1 |
| Total ... ... | 10 | 7 | 5 | 5 |

*Commanding Officers.*

| —— | Captain. | Commander. | Lieutenant-Commander or Lieutenant. |
|---|---|---|---|
| Officers' steward— | | | |
| 1st class ... ... ... | 1 | 1 | — |
| 2nd ... ... ... | 1 | — | 1 |
| Officers' cook— | | | |
| 1st class ... ... ... | 1 | — | — |
| 2nd class ... ... | — | 1 | — |
| 3rd class ... ... | 1 | — | — |
| Total ... ... | 4 | 2 | 1 |

It is in the above scales, so far as they relate to Flag Officers, Commodores and Captains, that we think a considerable reduction is desirable, especially in view of the great increase in the cost of such ratings at the present time. In 1914, such servants cost £255,000; in 1921, £733,000 per annum.

In addition to the scale of servants which is allowed, we would also point out that, in any case where an officer is resident on shore and does not enjoy the services, or partial services, of servants provided at the public expense, he receives servants' allowance at rates varying from £750 down to £13 10*s.* per annum. The total expenditure on these allowances at the present time is at the rate of £70,500 per annum, and the total number of officers in receipt of servants' allowances has risen from 110 in 1914 to 1,500 at the present time.

We suggest that the whole question be reconsidered and that the Officers' Servant class should be abolished, the Army practice of one servant per Senior Officer drawn from the fighting personnel of the unit being adopted.

Officers required to mess alone at sea might, in addition, have whole or part-time service of a cook.

We think that allowances in lieu of servants should be restricted to pre-war practice and subject in any case to a maximum as for one servant.

9. *5. Yachts and Special Service Vessels.*

We have considered the expenses incurred in the manning, maintenance and running of the two Royal Yachts, "Victoria and Albert" and "Alexandra," the Admiralty Yacht "Enchantress," and two Yachts termed "Special Service" vessels, viz., "Surprise" and "Alacrity," which are at the disposal of the Commanders-in-Chief, Mediterranean and China respectively. The following table shows the cost of manning, maintenance and running the Royal Yachts and the Admiralty Yacht :—

| | 1921/22 (Estimate). |
|---|---|
| | £ |
| "Victoria and Albert" ... ... | 118,200 |
| "Alexandra" ... ... ... ... | 71,375 |
| "Enchantress" ... ... ... ... | 81,700 |

We suggest that, in existing financial circumstances, subject, of course, to His Majesty's approval, the Royal Yacht "Victoria and Albert" should be reduced to Care and Maintenance status in the winter months, unless His Majesty desires to use her, and the Royal Yacht "Alexandra" should be disposed of.

We also suggest that the Admiralty Yacht "Enchantress" should be disposed of.

As regards the "Special Service" vessels, "Surprise" and "Alacrity," these are really Yachts and have complements of 107 and 126 officers and men respectively, and we recommend that they should be sold.

10. *6. Hospital Ships.*

We observe that the Admiralty have now two Hospital Ships, "Berbice" and "Maine." The latter was bought early this year and is now being refitted. Before the war, the Admiralty had only one Hospital Ship. We suggest, therefore, that

either " Berbice " or " Maine " should be retained, the decision depending upon whichever is the more economical combined with efficiency, and whichever can best be disposed of.

11. *7. Coastguard.*

We find that the increase in Coastguard Officers is particularly high, viz., 68 per cent. This increase includes, of course, Warrant Officers, of whom there is a large surplus on the active list. The officers in the Coastguard Service have increased from 293 in 1914 to 492. This is certainly a method of employing Officers and Warrant Officers, but we are not satisfied that the Coastguard, as proposed, is necessary or economical. Before the war there were 3,130 officers and men in this service, of whom 1,100 joined their ships on mobilisation. Now, of the 3,250, none will join their ships on mobilisation. Here we have an instance in previous practice of what we advocate, namely, that men for Active Service complements on mobilisation should perform other duties in peace, but the Admiralty have reversed the policy, and over 1,000 men extra are provided for.

The following stations are manned by the Coastguard :—

| | | |
|---|---|---|
| 1. Coastguard stations ... ... | 419 | |
| 2. War signal stations ... ... | 158 | (of these 45 are closed in peace). |
| 3. W/T stations ... ... ... | 20 | |
| 4. Direction-finding stations ... | 6 | (2 not manned). |
| 5. Sound-ranging stations ... | 2 | (1 ,, ). |

Of the 419 Coastguard stations, 144 are frankly not required by the Admiralty for their own purposes. The Admiralty have recently arranged to close 16 by agreement with the Board of Customs and Excise and the Board of Trade. This still leaves 128 which the Navy say they do not require for their own purposes. We recommend that the Board of Customs, Board of Trade and the Post Office, who are primarily concerned in these stations, should reconsider them and suggest a further reduction. Even so, there will still be 275 Coastguard stations doing heterogeneous duty for the above-mentioned and other Government Departments, Trinity House and Lloyd's, with a small amount of Naval work in the form of reports to the Hydrographer and recruiting for the Navy. We do not consider that these Coastguard stations have sufficient justification from the Naval point of view, and we think that the *onus probandi* must be laid upon the other Departments of the Government, and that they should meantime be strongly pressed to reduce these stations to the barest minimum, unless a serious loss to revenue, due to smuggling, is to be apprehended; and if they require them the cost involved should be noted on their Estimates.

The War Signal Stations maintain communication between the Admiralty and ships at sea, by visual signalling only, and carry out " Intelligence Duties." We are of opinion that there would be very little risk incurred if all these stations were closed in

peace time, especially if the 20 W/T Stations and the Direction-finding and Sound-ranging Stations which are now manned are retained.

12. VOTE 2.—VICTUALLING AND CLOTHING.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 3,034,246 |
| 1921/22 Net Estimate ... ... | 7,821,000 |
| 1922/23 Net Estimate ... ... | 7,014,400 |

We recommend that, in view of falling prices, the Admiralty should, for the present, live on their stocks of victualling and clothing stores and should proceed on the basis that stocks of such stores, which can readily be obtained in the commercial market in an emergency, should not exceed three months' war consumption of the Fleet, instead of the six months' stock they are now holding.

We would point out that if the reduction of active service officers and men, as suggested in the previous paragraphs, are effected, a great saving on this Vote should be possible, combining reduced consumption with absorption of stock. We think that in all three Fighting Services, the clothing allowances should be reduced by one-third, so that the uniformed forces should, like civilians, economise in their clothes, but it should be definitely understood that the standard of repair of uniform is correspondingly lowered, so that the men do not suffer. In the case of the Navy this would mean £500,000 per annum. All allowances have, we understand, been revised to meet current prices, and subsequent revisions should give effect not only to falling prices, but to the extended life suggested.

13. VOTE 3.—MEDICAL ESTABLISHMENTS.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 281,382 |
| 1921/22 Net Estimate ... ... ... | 720,500 |
| 1922/23 Net Estimate ... ... ... | 625,000 |

This Vote, which does not include the Naval Medical Personnel borne on Vote 1, is more than double pre-war in amount, but it is significant that medical and dental services for the Navy, which must necessarily be composed of men of a high standard of physical efficiency, cost, when the salaries of personnel on Vote 1 are included, roughly £12 per head. This appears to us to be an unduly high figure, but we have no individual items to comment on. We would, however, point out that in view of the present high costs, everything possible should be done to combine the medical facilities on shore of the three Fighting Services, a matter in which very little has been effected hitherto. The reduced numbers of Naval personnel which we have suggested would affect this Vote. We will, however, deal with the cost of medical services generally under the Army Estimates.

14. Vote 4.—Civilians Employed on Fleet Services.

| | £ |
|---|---|
| 1914/15 Audited Expenditure ... ... | 176,977 |
| 1921/22 Net Estimate ... ... ... | 389,000 |
| 1922/23 Net Estimate ... ... ... | 300,000 |

We observe under sub-heads (A) and (B) of this Vote, a number of salaried and wage-earning civilians engaged on duties which we think might be undertaken by Naval ratings or Marines, who have to be retained in any case for manning the Fleet on mobilisation. We note that civilians are employed in the Naval Barracks, on rifle ranges, in Training Establishments, at the Submarine Depot and in Detention Quarters in various capacities, such as signallers, telephone operators, postmen, markers, caretakers, messengers, porters, sport groundsmen and mess attendants. As we have already suggested, these functions and those of the civilian crews on Naval ferry steamers, yard craft, Fleet service tugs, and, indeed, on all craft employed by the Navy to-day, manned by civilians, might be undertaken by active service ratings who are on shore waiting to fill up "complements" on mobilisation, or to supply new drafts for ships re-commissioning. We think that by a system of rotation these men could undertake these duties in the intervals between courses of instruction. On mobilisation they would, of course, require to be replaced.

15. Vote 5.—Educational Services.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 156,468 |
| 1921/22 Net Estimate ... ... ... | 465,500 |
| 1922/23 Net Estimate ... ... ... | 415,500 |

The cost of educating Cadets at Dartmouth has much impressed us, and we understand that the Admiralty are about to hold a special enquiry into the matter. We find that, without making any allowance for capital expenditure on the college buildings, the annual cost of a Cadet at Dartmouth, including the cost of nautical training, is £462. We consider that this figure is much too high in comparison with Public Schools, and should be reduced by £150. We think this should be possible having regard to the fact that for 445 Cadets there is a total staff of 529, which includes 41 teachers and 43 officers. The scale of fees at present charged to parents is incommensurate even with such reduced cost. The ordinary scale is £75 a year, with a reduced scale of £40 in favour of the sons of Naval and Military Officers or civilians serving at the Admiralty. The fees average £66 a year. If the fees were doubled there would be a saving to the State of £29,370 per annum. The Admiralty are, we understand, considering whether they should raise the fees to £112 10*s*. a year, but we think even that amount unreasonably low. In our opinion, the ordinary scale of fees should be more in keeping with the cost to the State and should be £150 a year, on the assumption that the

cost is brought down to £312, with a reduced scale for the sons of officers of the Fighting Services. We suggest that there should be a limited number of scholarships or bursaries for boys whose parents are of slender means and who show marked ability by some prescribed test.

16. VOTE 6.—SCIENTIFIC SERVICES.

| | £ |
|---|---|
| 1913/14 Audited Expenditure... ... | 53,375 |
| 1921/22 Net Estimate ... ... ... | 449,000 |
| 1922/23 Net Estimate ... ... ... | 400,000 |

We observe that there is a decrease of £49,000, but would point out that in 1913/14 the total expenditure was only £53,000.

We have learned from the First Lord the very great value which he attaches to this branch of Naval expenditure, and we are duly appreciative of its importance. We feel that, if the country could afford it, probably the whole of the expenditure in this connection would be justified, but we are of opinion that in present circumstances some reduction must be made, and we suggest that the sum of £400,000 net should be reduced to £200,000 net, which is four times what it was in 1913/14.

17. VOTE 8.—SHIPBUILDING, REPAIRS, MAINTENANCE, &C.

| | 1913/14. Actual. | 1921/22. Estimate. | 1922/23. Estimate. |
|---|---|---|---|
| | £ | £ | £ |
| Section 1.—Personnel ... | 4,128,108 | 11,618,600 | 9,171,800 |
| „ 2.—Material ... ... | 6,746,714 | 11,896,500 | 9,555,000 |
| „ 3.—Contract work ... | 13,217,129 | 6,270,200 | 13,461,000 |
| Total ... ... | 24,091,951 | 29,785,300 | 32,187,800 |

The increase is due to the large item of contract work in 1922/23, which includes £10,557,800 in instalments on account of the four new Capital Ships. This is exclusive of items amounting to £1,300,000 charged to other Votes. The other items which have chiefly struck us are—

(*a.*) The numbers of dockyards at home and abroad.

(*b.*) The numbers of men employed in the dockyards.

(*c.*) The high ratio of the wages bill to the material consumed.

(*d.*) The numbers of yard craft and men employed in manning them.

(*e.*) Dockyard police.

The following are our comments and recommendations :—

(a.) *Number of Dockyards.*

The number of dockyards is admittedly excessive, and we recommend that the reduction should not be confined to the present proposals of the Admiralty that Haulbowline should be closed and Pembroke gradually reduced. We suggest that Pembroke also should be closed, and that Gibraltar should be reduced, retaining only a skeleton organisation, capable of expansion in the event of war. The present cost of Gibraltar Dockyard is £355,000 per annum, and we suggest that it should be put on a Care and Maintenance basis with a consequent large saving.

We are further of opinion that Naval exigencies do not now require both Rosyth and Chatham at their present size, and we consider that their combined capacity should be reduced in the most economical way, since the strategic position which dictated their full retention no longer obtains.

We also suggest that the Admiralty should consider the question whether the naval establishment at Wei-hai-Wei is sufficiently useful to justify the annual cost of £25,450. We understand that its present use is for the purposes of recreation and of minor repairs to ships and targets, and it requires a certain number of British or Indian troops for its protection.

(b.) *Number of Men.*

The number of men employed in the Royal Dockyards before the war, at home and abroad, was 50,350; now it is 59,341, an increase of 9,000.

We see difficulty in accepting numbers which are in excess of the year 1914, and having regard to the greatly decreased number of fighting ships in all states of readiness, compared with pre-war (viz., a decrease of 194), we cannot believe that it is necessary for the Royal Navy to maintain these men in the dockyards. To have a surplus of men with a deficiency of work must lead to high costs.

(c.) *High Ratio of Wages Bill to Material Used.*

We are much impressed by a comparison of the high cost of labour in the dockyards in proportion to the value of material consumed. An average of all the home dockyards shows us that £3 is paid in wages for every pound's worth of material consumed, whereas in private shipyards and repair yards doing Naval repair and construction work, the comparable figures on such work are only £1 10*s.* in wages for every £1 of material. This basis of comparison, though rough and ready, is generally accepted as a sound one. This confirms what is so often stated—that the Royal Dockyards are uneconomical.

The country cannot afford to have its Admiralty work carried out at these rates, and, in our opinion, it should be clearly intimated that unless costs can be brought down by economical output and management, Admiralty work will have to be sent elsewhere.

We understand that in the Royal Dockyards no piece-work rates are in operation, although they are common practice in private yards.

(d.) *Numbers of Yard Craft and Men.*

The numbers of yard craft and the wages of yard-craft men show a very striking increase. In the year 1914/15, these wages amounted to £67,530; for the year 1921/22 they are £325,800, or an increase of 382 per cent. Whereas in 1914/15 there were 574 yard-craft men for the home yards, there are now 1,070. The increase is mainly due to additional craft, and we think it is unjustifiable. In view of the reduction of ships since 1914, we think that the number of yard craft should be brought down to the 1914 basis adjusted to the numbers and size of the Fleet as compared with pre-war; and, as we have already pointed out, we suggest that these craft should be manned in peace time, save in so far as specialists are required, by active service ratings in the Depots, who will be required for the War Fleet on mobilisation.

(e.) *Dockyard Police.*

The system of guarding Naval establishments undertaking Fire Brigade duties, &c., by means of the Metropolitan Police seems to us to be entirely wrong, and the cost excessive. In wages and uniform alone, the cost is now £539,693 compared with £173,380 pre-war. The numbers are now 1,665 as compared with 1,347 before the war. The present total cost to the State for each policeman may be put at £400 per annum. From information which we have received, we are satisfied that these men are employed by the Admiralty in numbers largely in excess of what is required for purely police duties, and we recommend that the whole question should be gone into by the Admiralty with the Commissioner of Metropolitan Police, with a view to arranging that Metropolitan Police be employed only in such numbers as the Commissioner considers necessary for detection of crime, and that all duties of watching, gate guarding, fire brigade work and sentry duty, including conducting visitors round the dockyards, should be carried out by active service marines or Naval ratings retained for mobilisation of the War Fleet. We have evidence of wasteful employment of Metropolitan Police which will be entirely checked if the above suggestions are adopted. Since we interviewed the Admiralty representatives and the Commissioner of Metropolitan Police, we have learnt that at Chatham alone it has been found possible to dispense with 2 Chief Inspectors, 1 Inspector, 3 Sergeants, and 56 Police Constables.

*Motor Transport.*

The total stock of Mechanical Transport Vehicles held by the Admiralty is 481, compared with 11 in 1914. Details are given in Appendix (H). Included in this total are 75 passenger motor cars, compared with none in 1914.

The Admiralty explain that the practice as to transport has been completely changed, and they claim that economy and efficiency has resulted. They are not in a position, however, to show figures proving the case.

In view of the reduction in the size of the Navy and the consequent falling off in Dockyard work, we feel that the additional expenditure now proposed, viz., £35,400, on new vehicles and £20,500 on reconditioning should not be spent, and further that careful cost figures should be worked up and the stock of vehicles reviewed by the Treasury in the light of that information.

We cannot see any case for the retention of 75 cars as against none in 1914, and suggest that the cars be sold, unless in any case, such as the 13 Naval cars in Berlin, the Admiralty can convince the Treasury that it is more economical than hiring or travelling by rail.

*Fuel for the Fleet.*

We have considered the programme contemplated by the Admiralty for accumulating reserves of oil fuel and have come to the conclusion that, having regard to the Cabinet's pronouncement, considerable savings under this head might be possible; but, as obviously the question of the fuel reserves of the Navy is a matter of high policy, we refrain from discussing it in this report.

*Naval Stores.*

Finally, there is an important item, viz., Naval Stores. We understand that, except in the case of those articles, like hemp and timber, which require lengthy seasoning, the Admiralty policy is to maintain a stock equal to six months' consumption of the War Fleet. We recommend that, as in the case of the Clothing and Victualling Stores, apart from the special articles mentioned above, the stock of all stores which can be readily obtained in the commercial market in an emergency, should be reduced to a three months' war consumption supply.

18. VOTE 9.—ARMAMENTS.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 4,747,829 |
| 1921/22 Net Estimate ... ... ... | 6,726,000 |
| 1922/23 Net Estimate ... ... ... | 6,683,000 |

This Vote will be much affected if the construction of the four new Capital Ships is abandoned.

The details are given in Appendix (J). It is not possible to sub-divide each item according to the main description of the stores, owing to the fact that the items for wages are not allocated, but reviewing the totals as a whole, we are much impressed with some of the items of expenditure proposed. These items are not only very large in themselves, but have to be increased by a proportion of the salaries, allowances and wages of the work-

people employed on them and by the indirect cost which they involve in the form of inspection, proof and storage.

(i.) As regards guns, the cost of manufacture alone is estimated at £1,148,550. The major part of this expenditure is a sum of £810,000 for guns for the new Capital Ships. Further, there is an item of £60,000 for reconditioning reserves of 2,000 guns and mountings for the defensive armament of merchant ships, with an annual charge of £6,000 for maintenance and storage. We suggest that this item should be carefully reconsidered, as in our opinion no disadvantage would ensue if this work were retarded.

(ii.) As regards projectiles and ammunition (estimated to cost £1,800,000), the largest item is for the manufacture of shell for the larger guns of Capital Ships. The expenditure under this head alone accounts for some £800,000. It is admitted that of this type of shell the ships already hold one complete "outfit" on board, and there is half an "outfit" ashore. This means that half an "outfit" is still required to complete the authorised reserve. The Admiralty propose practically to complete this reserve during the coming financial year, but having regard to the existing stock of this particular ammunition we are of opinion that the completion of the full establishment could be spread over a longer period.

Apart from this new type of shell, it is proposed to spend £1,000,000 on other ammunition, and we think that this is susceptible of great reduction in view of the large surplus stocks of ammunition which are held in excess of the authorised reserves. We are informed that in the four years of the war, the Navy fired only half an outfit out of the three outfits which were then authorised. At this rate of expenditure, the two and a half outfits which remain are equivalent to 20 years consumption on the basis of the late war, and yet it is proposed next year to spend close on £2,000,000 on ammunition alone.

(iii.) The Admiralty propose in 1922/23 to spend the sum of £284,000 on the manufacture and repair of torpedoes. This work will be done at the Royal Naval Torpedo Factory, Greenock, which employs 850 men. The proposed output of new torpedoes, viz., one a week, is about equal to the annual wastage due to loss. We desire to point out, however, that the stock of 21-in. torpedoes held by the Admiralty is 5,449, valued at approximately £10,000,000, and they have also a stock of 3,058 torpedoes of an older type, which they are keeping in a state of preservation, and which represent a cost of, say, £4,500,000.

Having regard to the large stocks held and the expense in storage, we consider that the rate of manufacture of new torpedoes could for the present be reduced.

(iv.) In the case of cordite, as of torpedoes, the Admiralty are manufacturing at the rate of 1,500 tons a year, which covers their practice expenditure and wastage for age. The present

stock is about 11,000 tons and the Admiralty propose to increase this stock to 13,000 tons. In view of the present circumstances and the short life of cordite, we think the stock should be reduced.

19. VOTE 10.—WORKS AND BUILDINGS.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 3,520,026 |
| 1921/22 Net Estimate ... ... ... | 5,836,600 |
| 1922/23 Net Estimate ... ... ... | 4,756,000 |

The Estimates for 1922/23 show a reduction of 18·5 per cent. on the current year. In the total figure of £4,756,000, there is a sum of £1,344,000 for the annuity under Naval Works Acts, which is incapable of reduction. This leaves about £3,400,000 to be otherwise accounted for. Of this sum, £1,000,000 is for the provision of oil storage; £2,000,000 is for the continuation of works already started, repairs, maintenance and dredging, &c.; and £340,000 is in respect of new works, other than oil fuel storage, not yet commenced.

The provision of oil storage is a matter of high policy with which we have refrained from dealing throughout our Report, and we have no doubt that the Government may wish to reconsider whether this expenditure, in whole or in part, cannot be deferred.

As regards the remainder, we think that the £2,000,000 which is allocated for continuation works, maintenance and dredging (this latter item amounts to nearly £300,000) should be cut down to £1,000,000, and that the £340,000 for new works should be entirely deferred. We are of opinion that the amount proposed for dredging could be very much reduced if the number of craft is curtailed and if Naval personnel were used to the fullest possible extent in manning the dredgers.

20. VOTE 11.—MISCELLANEOUS EFFECTIVE SERVICES.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 734,491 |
| 1921/22 Net Estimate ... ... ... | 2,725,000 |
| 1922/23 Net Estimate ... ... ... | 2,038,500 |

There are only two items to which we call attention :—

1. Travelling concessions involving payment by the Admiralty to the Railway Companies of £390,000, in respect of the concession by which officers and men receive a return ticket at single fare. There seems to us to be no sufficient reason why the Government should give this concession which they did not give before the war.
2. Cost of the Water Police, viz., £30,750. Pre-war the cost was £9,644. The numbers now employed are 2 Inspectors, 16 Sergeants and 81 Constables, an increase of 23 over 1914, due to the establishment of Rosyth (20) and an increase at Portsmouth (3). We have already suggested that this work should be done by

active service ratings who are necessarily retained for mobilisation, and the Metropolitan Water Police should all be released.

21. VOTE 12.—ADMIRALTY OFFICE.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 460,221 |
| 1921/22 Net Estimate ... ... | 1,752,800* |
| 1922/23 Net Estimate ... ... | 1,487,000* |

The Admiralty staff, before the war, was 2,072. At the present moment it is 4,500. The Secretary of the Admiralty hopes to reduce to 4,300 by the 1st April, 1922, and to 2,800 by 1st April, 1923. We do not consider that the reduction should be so long delayed, and we are not satisfied that the present reduction in numbers is sufficiently reflected in the reduction of cost. We suggest that by a continuous process of reduction the staff should come down during next year to the pre-war number, any new branch of work since 1914 being offset by the smaller numbers of Naval personnel and ships. We also suggest that the overtaking of arrears on less important matters should, if necessary, be slowed down and that the Vote, including officers borne on Vote 1, should be reduced to not more than £1,000,000. We are convinced that a large staff at the Admiralty itself tends to create high cost and big establishments elsewhere.

22. VOTE 13.—HALF PAY AND RETIRED PAY.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 990,233 |
| 1921/22 Net Estimate ... ... | 2,093,500 |
| 1922/23 Net Estimate ... ... | 2,148,500 |

A reduction of the number of active service officers, such as we have suggested, necessarily means an increase of the "Non-Effective" Vote for Retired Pay. This subject is one which also affects the Army and the Royal Air Force, and we refer to it separately at the conclusion of our reports on the Fighting Services.

23. **SUMMARY OF CONCLUSIONS.**

**As a result of our consideration, we are of the opinion:—**

**(1.) That the Estimates for 1922/23 provide for man-power on a lavish scale, and that without in any way interfering either with the manning of the fighting ships of the Navy, from Capital Ships to Submarines, as laid down by the Admiralty, there is an excess of over 33,000 officers and men in the Navy which, having regard to our recommendations in paragraph 8 respecting officers' servants class, would justify a reduction of 35,000 officers and men.**

* A sum of £136,000 should be added for Naval Officers borne on Vote 1 and employed at the Admiralty.

(2.) That the Admiralty, with a smaller Navy, are maintaining far larger shore establishments, both Naval and Civilian, than they did before the War, and we think that there are many ways in which economies could be effected by employing the Naval Ratings and Marines held for mobilisation on the work now done for the Admiralty by civilians and Metropolitan Police.

(3.) That the great increase in expenditure and activity in educational establishments, in Research and Experiment, and in training of all kinds, should be brought more within the limits of our reduced resources, and that the Royal Dockyards are so expensive that unless their costs can be brought more nearly to a commercial level, the work sent there should be greatly reduced.

(4.) That the Naval Estimates for 1922/23 should be reduced from £81,000,000 to £60,000,000 for that year, and that in the subsequent year still lower Estimates should suffice.

(5.) That a judicious substitution of air-power ought to result in a further reduction of the Navy Estimates.

In these recommendations no account is taken of large savings which might result from the proposals arising out of the Washington Conference, such as the discontinuance of the construction of the four new Capital Ships, for which the Estimates for 1922/23 include £11,800,000; nor of a possible reduction of the number of Capital and other ships in full or partial commission; nor of any consequential savings in connection with the provision of Oil Storage and accumulation of Oil Stocks.

No account has been taken of any reduction in pay and allowances which the Government may decide to make, and no account is taken of any abnormal increase in the Non-Effective Vote, caused by a reduction of the personnel transferred to the Retired List, with both of which items we deal separately in a later Report.

# COMPARISON OF NAVY ESTIMATES.

## APPENDIX (A).

| Vote. | 1914–15. Gross. | 1914–15. Appropriations in Aid. | 1914–15. Net. | 1921–22. Gross. | 1921–22. Appropriations in Aid. | 1921–22. Net. | 1922–23. Gross. | 1922–23. Appropriations in Aid. | 1922–23. Net. | Comparison of 1922–23 with 1921–22. Increase. | Comparison of 1922–23 with 1921–22. Decrease. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| 1. Wages, &c., of officers, seamen and boys, coastguard and Royal Marines | 8,926,000 | 126,000 | 8,800,000 | 18,390,800 | 76,800 | 18,314,000 | 17,670,300 | 76,800 | 17,593,500 | — | 720,500 |
| 2. Victualling and clothing ... | 3,863,662 | 771,662 | 3,092,000 | 9,980,685 | 2,159,685 | 7,821,000 | 8,935,100 | 1,920,700 | 7,014,400 | — | 806,600 |
| 3. Medical establishments ... | 309,773 | 17,673 | 292,100 | 733,392 | 12,892 | 720,500 | 636,925 | 11,925 | 625,000 | — | 95,500 |
| 4. Civilians employed on fleet services. | 115,500 | 200 | 115,300 | 394,050 | 5,050 | 389,000 | 305,071 | 5,071 | 300,000 | — | 89,000 |
| 5. Educational services ... ... | 243,857 | 67,857 | 175,000 | 508,355 | 42,855 | 465,500 | 449,862 | 34,362 | 415,500 | — | 50,000 |
| 6. Scientific services ... ... | 99,648 | 34,948 | 64,700 | 533,477 | 84,477 | 449,000 | 481,530 | 81,530 | 400,000 | — | 49,000 |
| 7. Royal Naval Reserves ... | 493,108 | 3,208 | 489,900 | 581,765 | 1,165 | 580,600 | 573,450 | 1,150 | 572,300 | — | 8,300 |
| 8. Shipbuilding, repairs and maintenance, &c.— | | | | | | | | | | | |
| Section 1. Personal ... | 4,016,200 | 26,400 | 3,989,800 | 11,648,969 | 30,369 | 11,618,600 | 9,202,122 | 30,322 | 9,171,800 | — | 2,446,800 |
| Section 2. Materials— | | | | | | | | | | | |
| Stores ... | 7,736,800 | 649,400 | 7,087,400 | 5,405,500 | 3,550,000 | 1,855,500 | 4,340,000 | 1,860,000 | 2,480,000 | 624,500 | — |
| Fuel .. | | | | 12,541,000 | 2,500,000 | 10,041,000 | 7,967,500 | 892,000 | 7,075,500 | — | 2,965,500 |
| Section 3. Contract work | 14,380,760 | 92,960 | 14,287,400 | 6,310,775 | 40,575 | 6,270,200* | 13,501,643 | 40,643 | 13,461,000 | 7,190,800 | — |
| 9. Naval armaments ... ... | 5,667,550 | 123,250 | 5,544,300 | 6,769,317 | 43,317 | 6,726,000 | 6,727,450 | 44,450 | 6,683,000 | — | 43,000 |
| 10. Works, buildings and repairs... | 3,632,000 | 36,500 | 3,595,500 | 5,896,600 | 60,000 | 5,836,600 | 4,816,000 | 60,000 | 4,756,000 | — | 1,080,600 |
| 11. Miscellaneous effective services | 532,034 | 8,334 | 523,700 | 2,777,090 | 52,090 | 2,725,000 | 2,068,950 | 30,450 | 2,038,500 | — | 686,500 |
| 12. Admiralty office ... ... | 492,642 | 9,142 | 483,500 | 1,756,737 | 3,937 | 1,752,800 | 1,491,737 | 3,937 | 1,487,800 | — | 265,000 |
| 13. Half-pay and retired pay ... | 1,027,816 | 24,116 | 1,003,700 | 2,122,848 | 29,348 | 2,093,500 | 2,177,848 | 29,348 | 2,148,500 | 55,000 | — |
| 14. Naval and Marine pensions ... | 1,637,151 | 31,251 | 1,605,900 | 4,018,408 | 14,908 | 4,003,500 | 4,110,168 | 33,368 | 4,076,800 | 73,300 | — |
| 15. Civil superannuation ... ... | 339,760 | 360 | 339,400 | 817,101 | 401 | 816,700 | 884,608 | 401 | 884,200 | 67,500 | — |
| Total ... ... ... | 53,573,261 | 2,023,261 | 51,550,000 | 91,186,869 | 8,707,869 | 82,479,000 | 86,340,257 | 5,156,457 | 81,183,800 | 8,011,100 | 9,306,300 |
| | | | | | | | | | | Net Decrease, 1,295,200 | |

* The £2,500,000 for new ships is not distributed in the above figures for 1921–22, but remains in Vote 8 (iii).

# APPENDIX (B).

COMPARATIVE TABLES showing Ships in Full and Reserve Commission in 1914 and Distribution in 1921 included in proposed Sketch Vote 1922/23 on a Peace Basis (this list has not yet received final approval).

| | 1914. | | | 1922–23. | | | | |
|---|---|---|---|---|---|---|---|---|
| | F.C. | Reserve. | Total. | Full. | Reduced. | C. and M. | Total. | |
| Battleships ... | 31 | 29 | 60 | 13 | 9 | — | 22 | |
| Battle Cruisers ... | 7 | 1 | 8 | 3 | 3 | 1 | 7 | |
| Cruisers ... ... | 21 | 24 | 45 | — | 2 | — | 2 | |
| Light Cruisers ... | 29 | 27 | 56 | 33 | 12 | — | 45 | |
| Flotilla Leaders... | 1 | — | 1 | 8 | 8 | — | 16 | |
| Destroyers ... | 102 | 109 | 211 | 64 | 113 | — | 177 | |
| Torpedo Boats ... | 10 | 96 (of which 13 M.R.) | 106 | — | 2 | — | 2 | |
| Aircraft Carriers.. | 1 | — | 1 | 4 | 2 | — | 6 | |
| Submarines ... | 72 | — | 72 | 46 | 16 | 27 | 89 | |
| Minelayers ... | — | 7 | 7 | — | 4 | — | 4 | |
| Monitors... ... | — | — | — | — | 2 | — | 2 | |
| Sloops ... ... | 8 | 3 | 11 | 20 | — | 1 | 21 | |
| Gunboats ... | 21 | — | 21 | 19 | — | 2 | 21 | |
| Surveying Ships... | 10 | — | 10 | 9 | — | — | 9 | |
| Hospital Ships ... | 1 | — | 1 | 2 | — | — | 2 | |
| P. Boats... ... | — | — | — | 3 | 13 | — | 16 | |
| Minesweepers ... | 6 | — | 6 | 7 | 8 | 46 | 61 | |
| Depot Ships ... | 18 | 4 | 22 | 15 | 5 | — | 20 | |
| Tugs ... ... | 3 | — | 115 3 | 5 | — | — | 5 | 232 |
| Trawlers ... | 13 | — | 13 | 26 | — | 1 | 27 | |
| Drifters ... ... | — | — | — | 2 | 2 | 6 | 10 | |
| Whalers ... ... | — | — | — | — | 2 | — | 5 | |
| Special Service Vessels. | 17 | — | 17 | 15 | — | — | 15 | |
| Diving Tenders... | 2 | — | 2 | — | 3 | — | 3 | |
| Motor Launches... | — | — | — | 5 | — | — | 5 | |
| Miscellaneous ... | 2 | — | 2 | — | 4 | — | 4 | |
| C.M.B.'s ... ... | — | — | — | 5 | — | — | 5 | |

## APPENDIX (C).

*Memorandum prepared by the Naval Staff on the Question of the Comparative Naval Strengths of Great Britain, United States and Japan at the present time.*

In the examination of the Naval Staff Representatives at the meeting of Sir Eric Geddes's Committee at the Treasury on the 19th October, a certain amount of emphasis was laid on the *present* numbers of Capital Ships in existence (October, 1921).

It was pointed out that whereas to-day Great Britain has 30 Capital Ships of Dreadnought type, United States has only 20, and Japan 10. Very incorrect conclusions may be deduced by the non-technical mind from these figures. It might, for instance, be argued that Great Britain is equal in strength at the moment to the combined navies of United States and Japan, whereas this is by no means the case.

Firstly, the United States have included in their 20, 3 post-Jutland ships, whereas Great Britain and Japan have only 1.

Secondly, the 20 ships of the United States are all battleships, whereas the 30 of Great Britain consist of 22 battleships and 8 battle cruisers. The latter include "Hood," but two of them are obsolete (viz., "Australia" and "New Zealand"), 2 others are rapidly becoming so, and the other 4, with the exception of the "Hood," are very weakly armoured.

It is almost impossible to assess the relative strength of battleships and battle cruisers; battle cruisers are necessarily of inferior fighting power, since they sacrifice guns and armour to speed: this is especially the case in our 7 pre-Jutland battle cruisers. If the battleship fleet be alone considered, the figures are as follows:—

| Great Britain. | United States. | Japan. |
|---|---|---|
| 22 | 20 | 6 |

Thirdly, an important point in assessing the strengths of the number of ships in commission and reserve: Great Britain has in full commission 13 battleships and 3 battle cruisers against the United States' 18 battleships, necessitating 14 British Capital Ships being in reserve. Ships in reserve deteriorate more rapidly than ships in commission, and consideration should be given for this fact in comparing strengths.

From this it will be seen that whereas Great Britain has 30 ships in existence to the 20 of the United States, their relative fighting strengths are in a very different proportion. Moreover, of far more serious consideration is the fact that our present numbers and our present fighting strength is the maximum that we can attain until we have completed the 4 new "Replacement" ships that have been approved; whereas, the figures of 20 and 10, respectively, for the United States and Japan show them at their minimum strength, and a strength which is increasing steadily and rapidly month by month.

If we assume that Great Britain is only of slightly inferior strength in ships in full commission compared with the United States at the moment, we have yet to face the fact that our 14 ships in reserve are all we shall have for the next three years to meet the 15 post-Jutland ships that she will be steadily adding to her fleet.

The figures shown at the beginning of this Memorandum for Japan may be equally misleading as those for the United States. Japan is also on the threshold of completing several more post-Jutland ships, which will bring her strength up to 17 by 1924 and 25 in 1928 if her intended building programme is not curtailed.

To sum up, therefore, the position is as follows : At the moment, Great Britain is at the summit of her Naval strength and cannot alter her position for at least three years ; the United States and Japan are at the threshold of completing their new navies. The battleship strength of Great Britain and the United States at the present time is approximately equal—if anything, the balance is in favour of the United States—while next year she will receive an addition of at least 3 post-Jutland battleships.

In addition to the matériel question, the personnel aspect must be borne in mind.

The numbers of personnel for Great Britain and the United States are as follows :—

| Great Britain. | United States. |
|---|---|
| 113,350* | 133,300 |

Great Britain, to man her ships on mobilisation, therefore, has to draw to a much larger extent on Reservists than the United States have to do. This is important as affecting efficiency and relative fighting strength.

*October* 24, 1921.

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* Excluding coastguard, naval cadets and boys under training, none of whom are available for manning the Fleet and are not included in the American figures.

# APPENDIX (D).

NOMINAL List of Capital Ships in Commission and Reserve for Great Britain, United States and Japan, giving Dates of Launch and Armament.

| BRITISH (November, 1921). | | | | UNITED STATES OF AMERICA. | | | | JAPAN. | | |
|---|---|---|---|---|---|---|---|---|---|---|
| —— | — | Date of Launch. | Armament. | —— | — | Date of Launch. | Armament. | —— | Date of Launch. | Armament. |
| *Battleships.* | | | Guns. | *Battleships.* | | | Guns. | *Battleships.* | | Guns. |
| Orion ... ... | R | Aug. 1910 | 10—13·5-in.<br>13—4-in. | Ohio ... ... | R | May 1901 | 4—12-in.<br>8—6-in. | Hizen ... ... | Oct. 1900 | 4—12-in.<br>12—6-in. |
| Centurion ... | R | Nov. 1911 | } 10—13·5-in. | Connecticut ... | R | Sept. 1904 | 12—13-pr. | Mikasa ... | Nov. 1900 | } 4—12-in. |
| King George V.... | C | Oct. 1911 | } 12—4-in. | Kansas ... | R | Aug. 1905 | } 4—12 in. | Shikishima ... | Nov. 1898 | } 14—6-in. |
| Conqueror ... | a R | May 1911 | } | Minnesota ... | R | Apr. 1905 | } 8—8-in. | *Asahi ... ... | Mar. 1899 | |
| Monarch... ... | R | Mar. 1911 | } 10 –13·5-in. | | | | } 12—7-in. | Katori... ... | July 1905 | } 4—12-in. |
| Thunderer ... | a R | Feb. 1911 | } 13—4-in. | South Carolina | R | July 1908 | } 8—12-in. | Kashima ... | Mar. 1905 | } 4—10-in. |
| Marlborough ... | P | Oct. 1912 | } 10—13·5-in. | Michigan ... | R | May 1908 | } 12—13·pr. | | | } 12—6·in. |
| Iron Duke ... | C | Oct. 1912 | } 12—6-in. | North Dakota | C | Nov. 1908 | 10—12-in. | Satsuma ... | Nov. 1906 | } 4—12-in. |
| Ajax ... ... | R | Mar. 1912 | 10—13·5-in.<br>12—4-in. | | | | 14—5-in. | Aki ... ... | April 1907 | } 12—10-in. |
| Queen Elizabeth | C | Oct. 1913 | } 8—15-in. | Utah ... ... | C | Dec. 1909 | 10—12-in.<br>16—5-in. | †Seltsu ... ... | Mar. 1911 | 12—12-in.<br>10—6 in. |
| Warspite ... | C | Nov. 1913 | } 12—6-in. | Delaware ... | C | Feb. 1909 | } 10—12-in. | Fuso ... ... | Mar. 1914 | } 12—14 in. |
| Benbow ... ... | C | Nov. 1913 | } 10—13·5-in. | Florida ... | C | May 1910 | } 14—5-in. | Tamashiro ... | Nov. 1915 | } 16—6-in. |
| Emperor of India | C | Nov. 1913 | } 12—6-in. | Wyoming ... | C | May 1911 | } 12—12-in. | †Ise ... ... | Nov. 1916 | } 12—14-in. |
| Erin ... ... | R | Sept. 1913 | 10—13·5-in.<br>16—6-in. | Arkansas ... | C | Jan. 1911 | } 16—5-in. | Hyuga... ... | Jan. 1917 | } 20—5·5-in. |
| Royal Oak ... | C | Nov. 1914 | } 8—15-in. | New York ... | C | Oct. 1912 | } 10—14-in. | Nagato ... | Nov. 1919 | 8—16-in. |
| | | | } 14—6-in. | Texas ... ... | C | May 1912 | } 16—5-in. | | | 20—5·5-in. |
| Valiant ... ... | C | Nov. 1914 | } 8—15-in. | Oklahama ... | C | Mar. 1914 | } 10—14 in. | | | |
| Barham ... ... | C | Dec. 1914 | } 12—6-in. | Nevada ... | C | July 1914 | } 12—5-in. | | | |

| British (November, 1921). | | | | United States of America. | | | | Japan. | | |
|---|---|---|---|---|---|---|---|---|---|---|
| —— | — | Date of Launch. | Armament. | —— | — | Date of Launch. | Armament. | —— | Date of Launch. | Armament. |
| *Battleships*—cont. | | | Guns. | *Battleships*—cont. | | | Guns. | | | |
| Royal Sovereign | R | Apr. 1915 | 8—15-in. | Arizona ... | C | June 1915 | 12—14-in. | | | |
| Revenge ... ... | C | May 1915 | 8—15-in. | Pensylvania ... | C | Mar. 1915 | 14—5-in. | | | |
| Resolution ... | C | Jan. 1915 | 14—6-in. | Idaho ... ... | C | June 1917 | 12—14-in. | | | |
| Malaya ... ... | C | Mar. 1915 | 8—15-in. | New Mexico ... | C | Apr. 1917 | 14—5-in. | | | |
| | | | 12—6-in. | Mississippi ... | C | Jan. 1917 | | | | |
| Ramillies ... | C | Sept. 1916 | 8—15-in. | California ... | C | Nov. 1919 | 12—14-in. | | | |
| | | | 14—6-in. | Tennessee ... | C | Apr. 1919 | 14—5-in. | | | |
| | | | | Maryland ... | C | Mar. 1920 | 8—16-in. | | | |
| | | | | | | | 14—5-in. | | | |
| *Battle Cruisers.* | | | | *Battle Cruisers.* | | | | *Battle Cruisers.* | | |
| | | | | | | | | | | Guns. |
| Lion ... ... | R | Aug. 1910 | 8—13·5-in. | Nil. | | | | *Ikoma... ... | Apr. 1906 | 4—12-in. |
| Princess Royal ... | a R | Apr. 1911 | 15—4-in. | | | | | | | 10—6-in. |
| New Zealand ... | O P | July 1911 | 8—12-in. | | | | | Ibuki ... ... | Nov. 1907 | 4—12-in. |
| | | | 10—4-in. | | | | | Kurama ... | Oct. 1907 | 8—8-in. |
| Tiger ... ... | R | Dec. 1913 | 8—13·5 in. | | | | | Kongo... ... | May 1912 | |
| | | | 12—6-in. | | | | | Hiyei ... ... | Nov. 1912 | 8—14-in. |
| Renown ... ... | C | Mar. 1916 | 6—15-in. | | | | | Kirishima ... | Dec. 1913 | 16—6-in. |
| Repulse ... ... | C | Jan. 1916 | 17—4-in. | | | | | Haruma ... | Dec. 1913 | |
| Hood ... ... | C | Aug. 1918 | 8—15-in. | | | | | | | |
| | | | 12—5·5-in. | | | | | | | |

C denotes full commission.
R ,, reserve or reduced.
P ,, paid off.
O ,, suspense list.
a ,, has one additional 4-in.

* Attached to School. † Refitting.

*Reserves.*—There are no ships in "reserve" as we understand the term. Ships are either in commission in the sea-going fleets, or are at home ports with full crews on board and ready for sea at short notice.

# APPENDIX (E1).

*Admiralty Memorandum on "Manning" the Fleet.*

The dominating factor in settling the numbers of officers and men required to be borne is the size of the War Fleet, which is the list of actual ships allocated for carrying out the responsibilities of the Admiralty in the event of war.

The Fleet is actually maintained in Peace on a different basis from what is required in War. In War, all the ships must be completed to full crews—either by Active Service ratings or with a proportion of Naval Reserves entered on mobilisation, according to the purpose for which and the urgency with which the particular vessel would be required in case of emergency. In Peace, only a certain portion of the total War Fleet is kept in full commission, and the remainder are on reduced bases differing in status according to their position in the War Fleet.

The following table shows the differences of status which exist in Peace in their relation to the War Fleet :—

| *Status in Peace.* | *Status in War.* |
|---|---|
| (i) Full crews active service. | (i) Full crews active service. |
| (ii) Half crews ,, | (ii) ,, ,, |
| (iii) In reserve, crews varying from one-fifth to one-tenth of full numbers. | (iii) Two-fifths crews active service, balance naval reserves entered on mobilisation. |
| (iv) Harbour establishments, schools, barracks, &c., permanent complements, instructors, experimental parties and care of establishments. | (iv) Harbour establishments reduced in varying degrees, on account of certain duties which lapse in war. |

It is obvious that the difference between Peace and War for (ii) and (iii) above and the whole of (iv) in Peace will be in harbour or on shore in Peace time, yet none could be dispensed with without prejudicing their ultimate disposal in War time.

The difference between Peace and War for (ii) and (iii) provides a working margin for the Fleet during Peace. Men must be passed through the Training Schools, travel to and from Foreign Stations and have leave, and there must always be a margin for sickness. For instance, the relief of crews on Foreign Stations entails a working margin of 3,000, which is found out of the difference between Peace and War requirements for (ii) and (iii).

It does not follow that a reduction in the numbers of ships in "full commission" would necessarily reduce the numbers of Naval personnel. It depends to what status the ships would be reduced, and this must depend on the purpose for which and

the urgency with which the particular vessels would be required in case of emergency.

If, in the event of an emergency, the reduced ships have to be restored to commission with full active service crews, obviously the crews would have to be kept available, and therefore there could not be any reduction.

If ships reduced from " full commission " were scrapped and sold out of the Service, there would then be a reduction in personnel equal to the requirements of the scrapped ships.

Intermediately between the above two situations in dealing with a paid-off ship, there are an indefinite number of positions at which the status of such paid-off ships could be fixed, each producing a different result on the personnel.

# APPENDIX (E 2).

TABLE showing Details of Manning Requirements of Fleets of 1914/15 and 1921/22.

(NOTE.—The numbers of ships shown and their requirements of personnel give the figures on which the Navy Estimates of the respective years were based. These figures given below could only be arrived at on the last day of the Financial Year, and therefore would not necessarily coincide with similar figures made out for any period earlier in the Financial Year.)

| — | Full Complements. | | | Second Fleet (1914/15). Tenders, &c. (1921/22). | | | Reserve. | | | Total. | | | Additional Nos. to make up Active Service War Nos. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nos. of Ships. | Nos. of Officers. | Nos. of Men. | Ships. | Officers. | Men. | Ships. | Officers. | Men. | Ships. | Officers. | Men. | Ships. | Officers. | Men. |
| Battleships— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 35 | 1,800 | 25,950 | 12 | 300 | 4,350 | 16 | 100 | 1,550 | 63 | 2,200 | 31,850 | — | 500 | 5,800 |
| 1921/22 ... ... | 13 | 900 | 15,650 | 1 | 50 | 650 | 9 | 150 | 2,850 | 23 | 1,100 | 19,150 | — | 200 | 3,200 |
| Battle Cruisers— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 9 | 450 | 7,600 | — | — | — | — | — | — | 9 | 450 | 7,600 | — | — | — |
| 1921/22 ... ... | 3 | 200 | 3,950 | — | — | — | 2 | 50 | 900 | 5 | 250 | 4,850 | — | 50 | 850 |
| Cruisers— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 11 | 400 | 7,750 | 16 | 350 | 4,400 | 19 | 150 | 1,800 | 46 | 900 | 13,950 | — | 250 | 5,300 |
| 1921/22 ... ... | — | — | — | — | — | — | 2 | 50 | 450 | 2 | 50 | 450 | — | 20 | 250 |
| Light Cruisers— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 34 | 600 | 10,300 | 13 | 150 | 2,200 | 15 | 100 | 1,000 | 62 | 850 | 13,500 | — | 150 | 2,600 |
| 1921/22 ... ... | 32 | 950 | 14,150 | 2 | 50 | 350 | 14 | 100 | 1,600 | 48 | 1,100 | 16,100 | — | 100 | 1,650 |
| Torpedo Craft— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 121 | 530 | 7,600 | 158 | 350 | 5,750 | 49 | 20 | 350 | 328 | 900 | 13,700 | — | 500 | 5,300 |
| 1921/22 ... ... | 93 | 700 | 10,600 | 52 | 150 | 2,400 | 68 | 150 | 1,000 | 213 | 1,000 | 14,000 | — | 50 | 3,300 |

For notes *see* page 44.

| | Full Complements. | | | Second Fleet (1914/15). Tenders, &c. (1921/22). | | | Reserve. | | | Total. | | | Additional Nos. to make up Active Service War Nos. | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nos. of Ships. | Nos. of Officers. | Nos. of Men. | Ships. | Officers. | Men. | Ships. | Officers. | Men. | Ships. | Officers. | Men. | Ships. | Officers. | Men. |
| Submarines— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 82 | 300 | 1,500 | — | — | — | — | — | — | 82 | 300 | 1,500 | — | — | — |
| 1921/22 ... ... | 47 | 200 | 1,750 | — | — | — | 58 | 50 | 300 | 105 | 250 | 2,050 | — | — | — |
| Depot and Repair Ship— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 16 | 250 | 2,750 | 7 | 100 | 1,200 | — | — | — | 23 | 350 | 3,950 | — | 10 | 200 |
| 1921/22 ... ... | 14 | 200 | 3,400 | — | — | — | 5 | 100 | 700 | 19 | 300 | 4,100 | — | 20 | 550 |
| Minelayers— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | — | — | 7 | 50 | 400 | — | — | — | 7 | 50 | 400 | — | 40 | 850 |
| 1921/22 ... ... | — | — | — | 5 | 25 | 250 | — | — | — | 5 | 25 | 250 | — | 10 | 250 |
| Minesweepers— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 16 | 50 | 950 | — | — | — | — | — | — | 16 | 50 | 950 | — | — | — |
| 1921/22 ... ... | 8 | 50 | 600 | 8 | 25 | 350 | 47 | 50 | 300 | 63 | 125 | 1,250 | — | 30 | 320 |
| Surveying— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 10 | 100 | 1,050 | — | — | — | — | — | — | 10 | 100 | 1,050 | — | — | — |
| 1921/22 ... ... | 10 | 100 | 1,000 | — | — | — | — | — | — | 10 | 100 | 1,000 | — | — | — |
| Sloops and Gunboats— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 24 | 100 | 1,500 | — | — | — | — | — | — | 24 | 100 | 1,500 | — | — | — |
| 1921/22 ... ... | 42 | 200 | 2,900 | — | — | — | — | — | — | 42 | 200 | 2,900 | — | —10 | — 100 |
| Special Service Vessels and Miscellaneous— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | 12 | 50 | 650 | — | — | — | — | — | — | 12 | 50 | 650 | — | — | — |
| 1921/22 ... ... | 81 | 150 | 1,450 | 2 | 50 | 550 | — | — | — | 83 | 200 | 2,000 | — | —50 | — 650 |
| Air Service— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | 100 | 1,300 | — | — | — | — | — | — | — | 100 | 1,300 | — | — | — |
| 1921/22 ... ... | 2 | 50 | 550 | — | — | — | 4 | 50 | 500 | 6 | 100 | 1,050 | — | — | — |

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Retinues— | | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | 150 | 350 | — | — | — | — | — | — | — | 150 | 350 | — | 50 | 150 |
| 1921/22 ... ... | — | 300 | 750 | — | — | — | — | — | — | — | 300 | 750 | — | 20 | 150 |
| Harbour Ships (Home)— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | 1,050 | 9,450 | — | — | — | — | — | — | — | 1,050 | 9,450 | — | —700 | —7,400 |
| 1921/22 ... ... | — | 1,400 | 9,300 | — | — | — | — | — | — | — | 1,400 | 9,300 | — | — 50 | — 950 |
| Harbour Ships (Abroad)— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | 150 | 1,450 | — | — | — | — | — | — | — | 150 | 1,450 | — | — | — |
| 1921/22 ... ... | — | 150 | 1,750 | — | — | — | — | — | — | — | 150 | 1,750 | — | 10 | 130 |
| Boys' Training— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | — | 7,900 | — | — | — | — | — | — | — | — | 7,900 | — | — | — |
| 1921/22 ... ... | — | — | 5,100 | — | — | — | — | — | — | — | — | 5,100 | — | — | — |
| Coastguard— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | 300 | 2,800 | — | — | — | — | — | — | — | 300 | 2,800 | — | — | —1,100 |
| 1921/22 ... ... | — | 450 | 2,650 | — | — | — | — | — | — | — | 450 | 2,650 | — | — | — |
| New Zealanders— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | — | 100 | — | — | — | — | — | — | — | — | 100 | — | — | — |
| 1921/22 ... ... | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Cadets— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | 900 | — | — | — | — | — | — | — | — | 900 | — | — | — | — |
| 1921/22 ... ... | — | 700 | — | — | — | — | — | — | — | — | 700 | — | — | — | — |
| Miscellaneous (Auxiliaries, &c., mostly war requirements only)— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | 1,100 | 1,000 | — | — | — | — | — | — | — | 1,100 | 1,000 | — | 100 | 5,500 |
| 1921/22 ... ... | — | 600 | 2,600 | — | — | — | — | — | — | — | 600 | 2,600 | — | 450 | 4,150 |
| War Margin and excess of Peace over War— | | | | | | | | | | | | | | | |
| 1914/15 ... ... | — | — | — | — | — | — | — | — | — | — | — | — | — | 300 | 6,900 |
| 1921/22 ... ... | — | — | — | — | — | — | — | — | — | — | — | — | — | 900 | 7,150 |
| Totals 1914/15 | — | 8,380 | 91,950 | — | 1,300 | 18,300 | — | 370 | 4,700 | — | 10,050 | 114,950 | — | 1,200 | 24,100 |
| Totals 1921/22 | — | 7,300 | 78,150 | — | 350 | 4,550 | — | 750 | 8,600 | — | 8,400 | 91,300 | — | 1,750 | 20,250 |

For notes *see* page 44.

## NOTES.

1. In 1914/15 the Coastguard was an Active Service force, of whom some embarked in ships on Mobilisation. Now it is a Pensioner force, and none embark.

2. Included in the "Margin, &c.," for 1921/22 are nearly 700 Officers who are surplus to present requirements, and who will eventually disappear.

3. The figures for 1914/15 are not exactly equal to the Vote of the period. The balance consisted of a round number of ratings taken in advance for training, covering all classes of new construction of which there is no record in detail.

There is a similar item in the 1921/22 figures for the new Capital Ships, but it is included under the head of "Battleships."

4. The "Air Service" in 1914/15 included 1,000 air ratings. In 1921/22 the figure is all for aircraft carriers.

5. As regards Harbour Establishments at home in 1914/15, nearly all the Schools, &c., were shut up on Mobilisation, their crews being drafted to sea. It was found necessary to reopen them during the war, and accordingly orders were issued, after the war, to keep all Schools, &c., open. Consequently, no one in the complements of these establishments would have been available for sea on Mobilisation. This rule was modified in 1921/22 Estimates to the extent of embarking 1,000 from these establishments. It has since been approved to embark, on Mobilisation, 3,500 from Harbour Complements.

6. The Section "Miscellaneous" in 1921/22 is not quite on the same lines as in 1914/15. A few tenders now shown as Miscellaneous were shown under "Harbour Ships" in 1914/15, but it would take a very long time to extract the details, which are mixed up with numerous establishments.

# APPENDIX (F 1)

## Authorised Retinues.

Staffs and Retinues of the Commanders-in-Chief the Nore, Portsmouth, Plymouth, Coast of Scotland and Western Approaches.

| Ranks and Ratings. | The Nore (*Pembroke*). | Portsmouth (*Victory*). | Plymouth (*Impregnable*). | Coast of Scotland (*Crescent*). | Western Approaches (*Colleen*). |
|---|---|---|---|---|---|
| Chief of Staff ... ... ... | 1 | 1 | 1 | 1 | 1 |
| Maintenance Captain* ... | 1* | 1* | 1* | 1* | 1* |
| War Staff Officer ... ... | 1 | 1 | 1 | 1*d* | 1*d* |
| W.S.O for Intelligence (D.I.O ) | 1 | 1 | 1 | 1 | 1 |
| Assistant to D.I.O. ... ... | 1 | 1 | 1 | 1*o* | 1 |
| Assistance to Maintenance Captain (a Commander). | 1 | 1 | 1 | 1 | 1*i* |
| Flag Lieutenant - Commander or Flag Lieutenant. | 1 | 1 | 1 | 1 | 1*j* |
| Physical and Recreational Training Officer. | — | 1*w* | 1*x* | — | — |
| Lieutenant-Commander (S) or Lieutenant (S) | — | — | — | — | 1*j* |
| Lieutenant (G) (short course) | — | — | — | — | 1*s* |
| Surgeon-Captain or Commander (for Sanitation duties). | 1 | 1 | 1 | 1‡ | — |
| Surgeon Lieut.-Commander (D) or Surgeon Lieut. (D). | — | — | — | 1 | — |
| Royal Marine Officer on Staff | — | 1 | 1 | 1 | — |
| Secretary to C.-in-C. ... ... | 1 | 1 | 1 | 1 | 1 |
| Secretary to C.O.S. ... ... | 1 | 1 | 1 | 1 | 1 |
| Secretary to Maintenance Captain.§ | 1 | 1 | 1 | 1 | 1 |
| Engineer Rear Admiral ... | 1 | 1 | 1 | 1 | 1 |
| Assistant to Engineer Rear Admiral. | 1 | 1 | 1 | 1 | 1 |
| Chief P.O. (Coxswain) ... | 1*l* | 1 | 1 | 1 | 1 |
| Petty Officer ... ... ... | 3 | 4 | 3 | 2 | 3 |
| Leading Seaman ... ... | — | — | 1 | — | 1 |
| A.B. or Ordinary Seaman ... | 11 | 18 | 15 | 13 | 9*e* |
| Telegraphist or Ordinary Telegraphist. | — | — | 3 | — | — |
| Commd. Sig. Boatswain or Sig. Boatswain. | — | — | 1 | —¶ | — |
| Chief Yeoman of Signals ... | — | — | — | 1 | — |
| Yeoman of Signals ... ... | — | — | — | 1 | — |
| Leading Signalman or Signalman. | — | — | — | 2 | — |
| Engineer Captain ... ... | 1*m* | — | — | — | — |

For Reference Notes, *see* page 47.

| Ranks and Ratings. | The Nore (*Pembroke*). | Portsmouth (*Victory*). | Plymouth (*Impregnable*). | Coast of Scotland (*Crescent*). | Western Approaches (*Colleen*). |
|---|---|---|---|---|---|
| Engineer Commander ... ... | 1 | 1 | — | — | — |
| Engineer Lieutenant or Lieutenant (E). | 1 | — | — | — | — |
| Commissioned or Warrant Engineer. | 2 *a* | 3 *a* | — *b* | — | 1 |
| Chief Engine Room Artificer | 7 | 4*z* | 5*g* | 1 | 1 |
| Engine Room Artificer ... | 6 | 4 | — | 2 | — |
| Stoker Petty Officer ... ... | 10 | 9 | 4 | 3 | 3 |
| Stoker ... ... ... ... | 8 | 7 | 6 | 4 | 3 |
| Shipwright ... ... ... | — | 1 | — | — | — |
| Joiner ... ... ... ... | 1 | — | 1 | 1 | 1 |
| Leading S.B.A. or S.B.A (to assist Dental Officer). | — | — | — | 1 | — |
| Sick Berth Attendant (for Sanitation duties). | 1 | 1 | 1 | — | — |
| Secretary's Clerks ... ... | 4 | 4 | 3 | 2 | 2*p* |
| Chief or First Writer ... ... | 4 *aa* | 4 *aa* | 3 *aa* | 4 *aa* | 1 *aa* |
| Second Writer ... ... ... | 4 | 5 | 4 | 4 | 2*p* |
| First Writer for Engineer Rear Admiral. | 1 | 1 | 1 | 1*q* | 1 |
| Leading Cook ... ... ... | — | — | — | 1 | — |
| Officer's Steward 2nd class for Flag Lt.-Cdr. or Lieut. | 1 | — | — | — | — |
| Sergeant R.M. ... ... ... | — | — | — | 1 | — |
| Corporal R.M. ... ... ... | 2 | 1 | — | 1 | — |
| Privates R.M.L.I. ... ... | 8*v* | 3 | 2 | 5 | —*t* |
| Marines as Printers ... ... | 3 | 3 | 3 | 3*r* | 2 |
| Private or Gunner as Servant to Major R.M. | 1*k* | 1 | 1 | — | — |
| Commissioned or Warrant Bandmaster. | 1 | 1 | 1 | 1 | — |
| Band Colour-Sergeant ... | — | — | — | — | 1 |
| Band Corporal ... ... ... | 1 | 1 | 1 | 1 | 1 |
| Musicians ... ... ... | 11 | 11 | 11 | 11 | 11 |
| Vice or Rear Admiral (Admiral Superintendent). | 1 | 1 | 1 | 1 | — |
| C.P.O. (Coxswain) ... ... | 1 | 1 | 1 | 1 | — |
| Petty Officer ... ... ... | 1 | 1 | 1 *c* | 1 | — |
| A.B. ... ... ... ... | 4 | 4 | 4 | 4 | — |
| Stoker Petty Officer ... ... | 1 | 1 | 1 | 1 | — |
| Stoker ... ... ... ... | 1 | 1 | 1 | 1 | — |
| Shipwright ... ... ... | 1 | 1 | 1 | 1 | — |
| Captain (for Coastguard duties) | 1 | 1 | 1 | 1 | 1 |
| Paymaster Captain or Paymaster Commander. | 1 | 1 | 1 | 1 | 1 |
| Paymaster Lieutenant ... | 1 | 1 | 1 *c* | — | 1 |
| Chief Writer ... ... ... | 1 | 1 | 1 | 1 | 1 |
| First Writer ... ... ... | — | — | — | | —*h* |
| Third Writer ... ... ... | 1 | 1 | 1 | — | 1 |
| P.O. (Coxswain) ... ... | 1 | 1 | 1 | 1 | 1 |
| | 123† | 119†*y* | 102† | 96‖† | 64†*uf* |

For Reference Notes, *see* page 47.

## NOTES TO APPENDIX (F 1).

* 1 officer will be appointed for the dual duty of C.O.S. and Maintenance Captain in Peace.

† 1 Civilian Clerk in addition for duty with Captain for C.G. duties. (A Chief or First Writer will be lent to Queenstown in lieu temporarily.)

‡ A Surgeon Commander (as N.M.T.O. and for Staff duties), and 1 Leading S.B.A. as assistant, in addition temporarily. (During appointment of present holder—August, 1920.)

§ Secretary to C.O.S. in his capacity of Maintenance Captain in Peace and to actual Maintenance Captain in War.

‖ 1 Dockyard Labourer, 1 Dental Mechanic and 1 Assistant Dental Mechanic (Civilians) in addition.

¶ 1 to be appointed on mobilisation.

*a* Including the following Engineer Officers and ratings for Recording Duties, all of whom are "available" on mobilisation :—

At Chatham : 1 Engineer Commander, 2 Warrant Engineers, 3 C.E.R.A., 6 E.R.A. and 6 S.P.O.

At Portsmouth : 1 Engineer Commander, 2 Warrant Engineers, 4 E.R.A. and 6 S.P.O.

*b* Engineer Officers and ratings for Recording Duties in Plymouth Command are included in Permanent Supernumeraries of *Vivid*.

*c* Admiral Superintendent, Devonport, and Retinue, and Captain for C.G. Duties and Staff, are borne in *Vivid*.

*d* Commander in lieu.

*e* Includes 3 Pensioners.

*f* 10 Civilians in addition (to be reduced to 8 when night watches cease).

*g* 1 may be E.R.A.

*h* 1 Writer (Second or above) to be lent additional temporarily to Queenstown C.G. Area.

*i* And in command of H.M.S. *Colleen*.

*j* Only 1 Officer will be appointed for the dual duties of Flag Lieutenant and Signal Officer under normal conditions.

*k* Not allowed while R.M. officer is not borne.

*l* May be Pensioner temporarily.

*m* Engineer Captain, Sheerness.

*o* An additional Assistant to D.I.O. is also allowed temporarily.

*p* 1 Secretary's Clerk and 2 Second Writers in addition temporarily.

*q* Or Second Writer.

*r* Includes 1 Acting Sergeant and 1 Corporal.

*s* Temporarily.

*t* 1 Private as Fleet Orderly in addition temporarily.

*u* 1 Royal Marine is allowed in addition temporarily as Messenger to Captain for C.G. duties.

*v* Includes 1 Acting Corporal.

*w* Borne in *Victory* for R.N. Barracks.

*x* Borne in *Vivid* for R.N. Barracks.

*y* 1 O.S.I. in addition, while C.-in-C. Portsmouth, is also Admiralty Representative to League of Nations.

*z* 1 may be other rating.

*aa* Includes 2 Shorthand Writers.

# APPENDIX (F 2).

## Expenses Attendant on the Five Commanders-in-Chief on Shore at Home.

| — | The Nore. | Ports-mouth. | Ply-mouth. | Coast of Scotland. | Western Ap-proaches. |
|---|---|---|---|---|---|
| Commander-in-Chief— | £ | £ | £ | £ | £ |
| Full pay ... ... ... | 2,555 | 2,555 | 2,555 | 2,555 | 2,190 |
| Table money ... ... | 2,464 | 2,464 | 2,464 | 2,464 | 2,464 |
| Servants' allowance ... ... | 525* | 750 | 450* | 750 | 375 |
| Provision allowance ... ... | 80 | 80 | 80 | 80 | 80 |
| | 5,624 | 5,849 | 5,549 | 5,849 | 5,109 |
| Staff— | (19 officers). | (21 officers). | (19 officers). | (16 officers). | †(22 officers). |
| Full pay ... ... ... | 12,757 | 15,202 | 12,948 | 11,278 | 11,698 |
| Command money ... ... | 128 | 128 | 128 | 128 | 128 |
| Entertaining allowance ... | 91 | 91 | 91 | 91 | 91 |
| Secretary's allowance ... | 255 | 255 | 255 | 255 | 255 |
| Provision allowances ... | 1,520 | 1,680 | 1,520 | 1,200 | 1,680 |
| Lodging allowances ... ... | 1,360 | 1,500 | 1,440 | 1,080 | 1,520 |
| Servants' allowance ... ... | 777 | 880 | 807 | 630 | 821 |
| Interpreter's allowance ... | — | — | 37 | 37 | — |
| Gunnery allowance ... ... | — | — | — | — | 18 |
| | 16,888 | 19,736 | 17,226 | 14,699 | 16,211 |
| Retinue (excluding officers) (*a*)— | | | | | |
| Wages ... ... ... | 9,068 | 11,611 | 8,910 | 7,343 | 4,994 |
| Extra pay ... ... ... | 72 | 40 | 40 | 67 | 28 |
| Kit upkeep allowance ... | 650 | 988 | 710 | 630 | 347 |
| Provision allowances ... | 3,424 | 5,475 | 4,339 | 3,554 | 1,173 |
| Lodging allowances ... ... | 255 | 382 | 288 | 318 | 219 |
| Grog money ... ... ... | 19 | Nil | Nil | Nil | 38 |
| Marriage allowances (*b*) ... | 3,600 | 3,400 | 2,880 | 2,700 | 1,800 |
| | 17,088 | 21,896 | 17,167 | 14,612 | 8,599 |
| Miscellaneous expenses— | | | | | |
| Wages of messengers, cleaners, &c., and other office expenses. | 1,500 | 3,200 | 2,381 | 2,100 | 2,183 |
| Motor car (*c*)— | | | | | |
| Wages ... ... ... | (*d*) | 174 | 366 | 428 | (*d*) |
| Running expenses ... ... | 96 | 140 | 378 | 214 | 194 |
| Repairs ... ... ... | 92 | 162 | 302 | 192 | 228 |
| | 188 | 476 | 1,046 | 834 | 422 |

* Some servants are also supplied in addition to this allowance.

† These are swollen at present because of work connected with disturbed state of Ireland.

(*a*.) Numbers borne and on which figures have been calculated: The Nore, 76; Portsmouth, 82; Plymouth, 69; Coast of Scotland, 62; Western Approaches, 40. Numbers allowed by complement: The Nore, 89; Portsmouth, 84; Plymouth, 71; Coast of Scotland, 67; Western Approaches, 42.

(*b*.) At rates current until March, 31, 1922.

(*c*.) Based on expenditure for first half of the financial year, 1921/22.

(*d*.) Driven by naval ratings—wages, &c., included above under retinue.

| | The Nore. | Ports-mouth. | Ply-mouth. | Coast of Scotland. | Western Ap-proaches. |
|---|---|---|---|---|---|
| Steamboats (*e*)— | £ | £ | £ | £ | £ |
| Coal and stores ... ... | 300 | 300 | 300 | 300 | 300 |
| Repairs, &c. ... ... ... | 500 | 550 | 600 | 320 | 900 |
| | 800 | 880 | 900 | 620 | 1,200 |
| Commander-in-Chief's establishment— | | | | | |
| Repairs and maintenance (Vote 10). | 377 | 491 | 669 | 564 | 309 |
| Water... ... ... ... | 29 | 23 | 37 | 28 | 58 |
| Gas ... ... ... ... | — | — | 50 | — | — |
| Maintenance of furniture in the official residences of Commander-in-Chief and staff (Vote 8) ... ... | 190 | 300 | 250 | 130 | 90 |
| | 596 | 814 | 1,006 | 722 | 457 |
| | 42,684 | 52,851 | 45,275 | 39,436 | 34,181 |

(*e*.) Manned by naval ratings—wages, &c., included above under retinue.

*Statistics Department, Admiralty.*
*November* 7, 1921.

## APPENDIX (F 3).

### Annual Values of Official Residences.

The annual values of the Official Residences occupied by the Commanders-in-Chief of the Home Ports and their Secretaries, as declared for assessment of Income Tax, are as follows.

| | The Nore | Ports-mouth. | Ply-mouth. | Coast of Scotland. | Western Ap-proaches. |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Commander-in-Chief ... ... | 350 | 345 | 220* | 200 | 227† |
| Secretary ... ... ... | 65 | 65 | 75 | 60 | 53‡ |
| Total ... ... ... | 415 | 410 | 295 | 260 | 280 |

* £200 house plus £20 garden.
† £200 house plus £27 garden
‡ £46 house plus £7 land.

# APPENDIX (G).

SHORE Establishments at Home and Abroad (excluding Dockyards and Armament and other Depots).

| | 1914/15. | | | | 1922/22. | | | |
|---|---|---|---|---|---|---|---|---|
| | Peace Complements. | | Numbers available on Mobilisation. | | Peace Complements. | | Numbers available on Mobilisation. | |
| | Officers. | Naval Ratings. | Officers. | Naval Ratings. | Officers. | Naval Ratings. | Officers. | Naval Ratings. |
| Portsmouth ... ... | 283 | 2,203 | 153 | 1,173 | 421 | 2,891 | — | — |
| Portland ... ... | 5 | 45 | 1 | 1 | 65 | 523 | — | — |
| Devonport ... ... | 290 | 2,188 | 139 | 1,215 | 272 | 2,111 | — | — |
| Queenstown ... ... | 2 | 25 | 2 | 1 | 15 | 79 | — | — |
| Chatham-Sheerness... | 170 | 1,243 | 78 | 684 | 200 | 1,300 | — | — |
| Harwich ... ... | 63 | 436 | 52 | 405 | 72 | 377 | — | — |
| Scotland ... ... | 13 | 144 | — | 1 | 89 | 940 | — | — |
| Total home ... | 826 | 6,284 | 425 | 3,480 | 1,134 | 8,221 | — | — |
| Total abroad ... | 82 | 1,231 | — | — | 91 | 1,307 | — | — |
| Total harbour establishments. | 908 | 7,515 | 425 | 3,480 | 1,225 | 9,528 | — | — |
| Educational establishments. | 104 | 416 | 76 | 406 | 109 | 258 | — | — |
| Hospitals for general service. | 87 | 589 | 3 | 224 | 111 | 601 | — | — |
| R.N. Detention quarters. | 3 | 37 | 3 | 25 | 6 | 36 | — | — |
| Grand total ... | 1,102 | 8,557 | 507 | 4,135 | 1,451 | 10,423 | — | — |
| | 9,659 | | 4,642 | | 11,874 | | | |

# APPENDIX (H).

## Mechanical Transport.

Number of Mechanical Transport Vehicles of each Type on the Establishment of the Navy.

| — | Steam-driven Road Vehicles. | Lorries. | Light Tenders. | Light Vans. | Cars. | Ambu-lances. | Cycles. |
|---|---|---|---|---|---|---|---|
| 1921/22. | | | | | | | |
| *Great Britain*— | | | | | | | |
| Headquarters ... | — | 9 | 4 | 6 | 4 | 2 | 1 |
| All Commands... | 40 | 194 | 34 | 38 | 40 | 44 | 6 |
| *Ireland* ... ... | — | 1 | — | 2 | 4 | — | — |
| *India* ... ... | — | — | — | — | — | — | — |
| *Oversea Stations*— | | | | | | | |
| Abadan... ... | — | — | — | — | 1 | — | — |
| Aden ... ... | — | — | — | — | 1 | — | — |
| Azores ... ... | — | — | — | — | 1 | — | — |
| Bermuda ... | — | 2 | 2 | 1 | — | 1 | — |
| Cape ... ... | — | 6 | — | — | — | — | — |
| Gibraltar ... | — | 6 | 1 | — | — | 1 | — |
| Jamaica ... | — | — | — | 1 | — | — | 2 |
| Malta ... ... | — | 8 | 1 | 2 | 4 | — | — |
| Matara ... ... | — | — | — | — | 1 | — | — |
| Mauritius ... | — | — | — | — | 1 | — | — |
| Newfoundland... | — | — | — | — | 1 | — | — |
| Singapore ... | — | — | — | — | 2 | — | — |
| *Special Service*— | | | | | | | |
| Berlin ... ... | — | — | — | — | 13 | — | 2 |
| Belgrade ... | — | — | — | — | 1 | — | — |
| Paris ... ... | — | — | — | — | 1 | — | — |
| Total 1921/22 | 40 | 226 | 42 | 50 | 75 | 48 | 11 |
| Total 1914* ... | 8 | 3 | — | — | — | — | — |

* All in Home Commands.

# APPENDIX (J).

## Details of Vote 9. Naval Armaments.

| — | Estimates. | | New Programme (these figures are included in Estimates Column). | |
|---|---|---|---|---|
| | 1921/22. | 1922/23. | 1921/22. | 1922/23. |
| | £ | £ | £ | £ |
| Naval armament, &c., establishments at home and abroad— | | | | |
| A.—Salaries and allowances... | 240,467 | 210,000 | — | — |
| B.—Wages of artificers, &c.... | 1,552,600 | 1,342,980 | — | 30,000 |
| C.—Wages of crews of naval armament vessels. | 58,600 | 49,000 | — | — |
| D.—Wages, &c., of police force | 125,042 | 115,000 | — | — |
| E.—Medical attendance, rents, water, gas, &c., and contingencies. | 47,919 | 46,000 | — | — |
| | 2,024,628 | 1,762,980 | — | — |
| Naval armament stores— | | | | |
| F.—Guns ... ... ... | 767,150 | 1,148,550 | 160,000 | 810,000 |
| G.—Projectiles and ammunition. | 1,904,290 | 1,883,220 | — | 187,750 |
| H.—Torpedoes and guncotton | 253,450 | 177,500 | — | — |
| I.—Fuel, oil, stores, &c., for maintenance of depôts and factories. Materials for manufacture of cordite and torpedoes. Ammunition cases, &c. Purchase of rifles, maintenance of N.A. vessels, &c. | 783,450 | 938,700 | — | 214,200 |
| K.—Inspection proof experiments, &c. | 948,999 | 915,500 | 40,000 | — |
| L.—Freight and incidental charges. | 287,350 | 201,000 | — | — |
| | 4,944,689 | 5,264,470 | — | — |
| Gross Total ... | 6,969,317 | 7,027,450 | 200,000 | 1,241,950 |
| Deduct— | | | | |
| M.—Appropriations-in-aid ... | 43,317 | 44,450 | — | — |
| | *6,926,000 | 6,983,000 | — | 1,241,950 |
| | | 300,000† | — | 100,000† |
| Net total ... ... | ... | 6,683,000 | — | 1,141,950 |

* The figure £6,926,000 does not include the further allocation of £200,000 for ships of new programme.

† Cut by the Board of Admiralty—allocation over subheads not definitely settled.

## Chapter II.

### ARMY ESTIMATES 1922/23.

The provisional Army Estimate which has been presented to us for 1922/23 compares with the 1914/15 figure, after the Aviation expenditure for that year is deducted, as follows :—

| Net Estimate— | £ |
|---|---|
| 1914/15 ... ... ... ... | 27,845,000* |
| 1922/23 ... ... ... ... | 78,134,800 |
| (Less £2,937,000 for aftermath charges.) | |

For details of these Estimates see Appendix (A), and for a comparison between 1922/23 and 1921/22 see Appendix (B).†

It will be seen that we are to-day considering Estimates for an Army, including the Middle East, approaching three times the Estimate of 1914/15.

As regards the numbers in the Army, comparing 1922/23 with 1914/15, the comparison may be taken as follows :—

| | 1914/15 (excluding R.F.C.). | 1922/23. |
|---|---|---|
| All ranks, British, native and colonial troops ... ... | 181,000† | 210,000‡ |

so that there is a material increase both in cost and numbers, and this applies both to officers and men, and to British as well as to native troops.

The units also from the point of view of fighting efficiency are far more powerful than they were in 1914/15. Owing to the introduction of machine-guns, the fire power of an infantry battalion is given as six to eight times as much as it was before the war, and that of a cavalry regiment four times as much as it was before the war. The introduction of heavy artillery, gas and tanks has increased the fighting-power out of all comparison with the number of men engaged, and officers, who are intended to increase the efficiency of the Army, have increased disproportionately to the men. Moreover, there has been added to the defence force of the Empire the very costly and highly specialised arm of the Air. There will therefore be a far more powerful Army than we had before the war.

As, before the war, we have certain overseas obligations and we have not only to provide the garrisons to meet those obligations, but also to provide drafts and reliefs for the battalions, cavalry regiments and other units overseas, as also the depots for the recruiting and training of those forces. We had also an obligation to place six divisions, fully equipped and trained, on a European battlefield in the event of an emergency arising. That obligation has gone, and we are now only confronted with

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* Excluding £1,000,000 provided for Aviation.

† The headings of Appendix (A) and Appendix (B) vary because the form of Army Accounts has been varied.

‡ These figures are exclusive of British troops stationed in India and paid for by that country. The numbers of these for 1914/15 are 75,824 and 1922/23, 70,980.

the task of maintaining our overseas garrisons, the possibility of minor expeditions upon which we may have to embark during the next ten years, and the maintenance of order at home.

(In the Departmental Estimates submitted to us, and in our consideration of them, a normal condition of affairs in Ireland has been assumed.)

2. We have considered the nation's overseas obligations as far as possible. The following table shows the garrisons for 1914/15, and the garrisons covered by the Estimates for 1922/23, together with the Committee's suggestions thereon, which are amplified in the following paragraphs.

| | Cavalry Regiments (including 3 of Household Cavalry). | | | Infantry Battalions (including 10 of Foot Guards, 9 in 1914). | | |
|---|---|---|---|---|---|---|
| | 1914. | 1922/23. | Committee's Suggestions. | 1914. | 1922/23. | Committee's Suggestions. |
| Indian Establishment. | 9 | 8 | 8 | 51 | 45 | 45 |
| Foreign and Colonial Establishment— | | | | | | |
| Aden (*a*)... ... | — | — | — | 1 | 1 | 1 |
| Mesopotamia ... | — | 1 | 1 | — | 2 | 2 |
| Palestine... ... | — | 3 | 2 | — | 2 | 1 |
| Egypt (*c*) ... | 1 | 1 | 1 | 5 | 7 | 6 |
| Constantinople ... | — | 1 | — | — | 2 | 2 |
| Gibraltar (*c*) ... | — | — | — | 2 | 2 | 1 (Guards) |
| Malta (*c*) ... | — | — | — | 5 | 4 | 2 ,, |
| South Africa ... | 2 | — | — | 4½ | — | — |
| Mauritius ... | — | — | — | ½ | — | — |
| Bermuda... ... | — | — | — | 1 | ½ | ½ |
| Jamaica ... ... | — | — | — | — | ½ | ½ |
| Ceylon ... ... | — | — | — | — | 1 | ½ |
| Singapore ... | — | — | — | 1 | 2 | ½ |
| Hong Kong ... | — | — | — | 1 | 1 | ½ |
| North China ... | — | — | — | 2 | 2 | ½ |
| Total, Foreign and Colonial. | 3 | 6 | 4 | 23 | 27 | 18 |
| Total abroad (including India). | 12 | 14 | 12 | 74 | 72 | 63 (3 guards) |
| Home Establishment— | | | | | | |
| Germany ... | — | 1 | 1 | — | 8 | — |
| United Kingdom | 19 | 12 | 6 | 83 | 78 | 67 (7 guards) |
| Total Units ... | 31 | 27 (*b*) | 19 | 157 | 158 | 130 |
| | | Reduction 8 Regts. | | | Reduction 28 Batts. | |

NOTES.

(*a*) Aden, formerly on the Indian Establishment, is being transferred to the Middle East.

(*b*) The reductions of 4 Regiments from 31 to 27 has already been announced, but not yet carried out.

(*c*) At these stations a small reserve for eventualities in the Middle East or elsewhere is provided, in addition to the requirements of purely local defence.

As shown above, India has relinquished a cavalry regiment and 6 infantry battalions, and South Africa and Mauritius have relinquished 5 infantry battalions and 2 cavalry regiments. The War Office have, upon demobilisation 1 extra infantry battalion, giving them in their own hands 12 additional infantry battalions in all, and these they have retained. These 12 infantry battalions they propose to use in the following way :—

6 in Mesopotamia, Palestine and Constantinople.
2 additional in Egypt.
1 at Singapore.
3 in the Home Establishments.*

The 9 battalions abroad mean under the " Cardwell " system 9 link battalions at home and 9 depots.

It will therefore be seen that the reduction of 11 battalions in India and Africa not only affords no relief to the Taxpayer, but increases his burden, because the 6 battalions from India were paid for by India and are now transferred to the British Taxpayer.

Units on foreign service are relieved by a system known as the " Cardwell System," which has been in force for over fifty years. This system provides broadly that for each infantry battalion and each cavalry regiment abroad there shall be a similar unit at home. This linked unit at home provides the drafts for the foreign service unit and eventually relieves it when the foreign service unit comes home. Behind these linked units, again, there are depots which recruit and give preliminary training to the raw recruit.

The War Office hold the view that this is the most economical way of providing for the alteration of foreign service and home service, and on the assumption that the number of units which this system gives at home is needed either at home, or as an Expeditionary Force, that may be so. But if there is no real necessity for the full number of units at home, the system cannot, in our opinion, be an economical one, and so far as our information goes, there is no need for 6 divisions, complete in all arms and services, to be held either for the maintenance of order in this country or for any emergency abroad which is likely to arise in the next few years.

Hitherto there have been undoubted conveniences, and in certain circumstances economies, in the Cardwell System, but clearly we cannot afford an Army to maintain a system, and it may be that the changes of strategic orientation make that system no longer suitable. Our foreign anxieties outside Europe are temporarily increased, and our European obligations reduced by the war. It may be that new terms of enlistment and obligation for home and foreign service and numbers of years for active service and reserve will have to be introduced. We have, however, first applied our minds to indicating possible reductions without such drastic disturbances.

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* Germany is regarded as in the Home Establishments.

The reduction of one line battalion from garrison duty abroad will carry with it a possible reduction of the link battalion and its depot at home, and a proportionate decrease in all ancillary services and cost.

An infantry battalion alone costs between £160,000 and £200,000 per annum for pay, pensions, food, clothing, housing and medical services.

We have, therefore, looked at our obligations for foreign service with a view to suggesting reductions there.

India has already realised, as we see it, the increased modern fighting-power of a unit, and, in spite of the threat of difficulties in that Empire, has reduced her number of British and native troops. The War Office does not appear to have taken similar account of the increased fighting-power of the unit, and we suggest that they should be invited to do so, on the clear understanding that the reduction of a line battalion abroad normally carries with it, under the Cardwell System, the reduction of the link battalion at home, and of the depot which serves the two battalions, and that they should otherwise review our overseas garrisons.

We suggest that this should be done—

1. By withdrawing battalions abroad;
2. In view of the increased fire power by providing garrisons of half a battalion instead of a full battalion;
3. With His Majesty's approval, by sending certain Guards battalions temporarily to the nearer Foreign Service stations;
4. By employing native troops in the place of British troops;

and finally, if these reductions do not prove sufficient, by abandoning or modifying the Cardwell System.

It is difficult for us to recommend authoritatively detailed adjustments in garrisons, but we venture to make the suggestions which are shown in the table above :—

1. Over and above the infantry forming the British Expeditionary Force of 6 divisions, with its 4 battalions for lines of communication, for which the Estimates provide, there are also 4 surplus British infantry battalions at Home which might be disbanded.
2. Three battalions of the Guards might be sent to Malta and Gibraltar, relieving 3 line battalions for disbandment, together with their linked battalions at Home, which would make 6 battalions, with their 3 depots.
3. Two of the 4 infantry battalions proposed for Malta and 1 of the 2 battalions proposed for Gibraltar might be reduced, which, with their linked battalions and depots, would make a total of 6 battalions and 3 depots.
4. Two of the 9 battalions in Egypt and Palestine might be reduced, giving a reduction of 4 battalions with 2 more depots.

5. As there appears to be no military reason for stationing 2 infantry battalions in North China in 1922/23 as proposed, the omission of these would give a reduction of 4 battalions and 2 depots.

(We are advised by the Foreign Office that under the Protocol of 1901 there are now only 300 British white troops acting as Legation Guard at Peking.)

6. The three battalions proposed for Singapore and Ceylon might be reduced to half a battalion at each place, or alternatively, native troops might be employed. The reduction in this case would be 4 battalions and 2 depots.

The total result of the above suggestions would be a reduction in the strength of the Army of 28 battalions and 12 depots.

Apart from this, a change of policy which would allow of the 2 battalions from Constantinople being withdrawn would give a corresponding reduction of link battalions at Home, together with their depots. Similarly, a change of policy in Palestine, admitting of a reduction either in cavalry regiments or infantry battalions in that mandatory territory, would give corresponding reductions, even if the substitution of Air Force control or some other alternative, with consequent savings, could not be introduced there as in Mesopotamia.

We desire to draw attention to the very heavy expenditure which is being incurred on forces in Constantinople, Egypt and Palestine, the following provision is made in Army Estimates for the present year :—

| | £ |
|---|---|
| Constantinople ... ... ... | 3,117,000 |
| Egypt ... ... ... ... | 5,944,000 |
| Palestine ... ... ... ... | 4,219,000 |
| Total ... ... ... | 13,280,000 |

N.B.—This is exclusive of Naval and Air Force Expenditure and cost of Mesopotamia, which will be dealt with under the Middle East Vote.

Apart from an estimated reduction in the cost of the force in Palestine to about £2,750,000 in 1922-23, it does not appear that any substantial reduction in the other items of this expenditure is anticipated. The only force which was maintained in these areas before the war was 1 cavalry regiment and 5 infantry battalions in Egypt, the provision for which at present day costs would not, we understand, have exceeded £1,450,000.

We feel that in some places even more might be done than we have suggested in the reduction of foreign garrisons, and provided that the Home link battalion is not actually required for Home Service, or the British Expeditionary Force, corresponding reductions might be made there.

With a reduction of 28 battalions and 12 depots alone, there would remain at Home 60 line battalions, which would be fully sufficient, with the 7 battalions of Foot Guards remaining, to produce 5 divisions and the prescribed 4 battalions for Home

guards. We think that the Government might desire to cut this to 4 or even 3 divisions, and we see no insuperable difficulty.

Whatever the reductions in Infantry may be, Cavalry, Artillery, Engineers, R.A.S.C., and R.A.O.C., Hospitals, and other Services, would be correspondingly reduced, but we suggest that greater reductions might well be made in the Cavalry, having regard to the advent of the Air as an alternative force.

In this connection, we suggest that the necessity for retaining next year—

3 cavalry regiments in Palestine,
1 cavalry regiment in Egypt, and
1 cavalry regiment in Constantinople

should be considered, having regard to such increased use as could be made of the Air Arm.

In the event of the withdrawal of any or all of these regiments, we suggest that they might be disbanded, together with the linked regiments on the Home Establishment, and consequential reduction of depots.

Before leaving the question of the reduction of cavalry, and in view only of the extreme urgency for economy, we suggest that, subject to His Majesty's approval and for the present, the Household Cavalry should be suitably reduced.

In the foregoing paragraphs we have endeavoured to suggest one way of looking for economies, by reviewing our overseas garrisons and by allowing for the increased fire power of infantry, with modern equipment.

We propose now to indicate a few directions in which we consider that the Army Estimates submitted to us have been cast on too generous a scale, but it must be obvious that these suggestions can only be taken as examples, illustrating our view. It has been impossible for us to consider exhaustively every item of expenditure, but from the following considerations we are satisfied that there are besides those mentioned many other ways in which striking reductions could be made.

### 3. Allocation of Personnel to Arms and Services.

*Excess Provision of Personnel.*

The Estimates for 1922/23 have been framed to meet the cost of the full establishment which the War Office has submitted, but in our investigations we elicited the fact that, owing to various reasons, the average strength of the Army during that year will fall short of the full establishment by from 14,000 to 20,000 men, or nearly 10 per cent. of the British troops. This illustrates in a forcible manner how money can be asked for when there is no prospect of its expenditure under the appropriate head, and illustrates the dangers of *virement*, to which we draw attention later.

*General Allocation of Man-power.*

The full details of the regimental and other establishments proposed for 1922/23 are set out in Appendix (C). There are

one or two features of this statement to which we think special reference should be made.

The total strength of the three arms—cavalry, artillery and infantry—amounts to 130,171, as compared with 142,566 in 1914/15 : that is, a reduction of 12,395. The total strength of the Army, excluding Colonial and Native troops, however, shows an increase of 13,598, so that we have to find out where the increases have occurred.

*The Royal Engineers* show an increase of from 9,892 to 11,769, but this does not, in fact, reveal the full measure of the increase. In 1914/15, the Royal Engineers were responsible for the service of Signals (now a separate corps), and this service absorbed 1,570, leaving a balance of 8,322, so that the real increase for comparable services in the Royal Engineers is 3,447, or 35 per cent. more than in 1914.

*The Royal Army Service Corps* has increased from 6,305 to 11,014, with an estimated feeding strength about 30 per cent. in excess of pre-war days. The explanation given for this abnormal increase is the distribution of the Army, which involves the R.A.S.C. having to operate in more scattered details, the large demands which have been made on this corps for clerical assistance to Commands and other offices and the development of long-distance motor transport, which is referred to later.

*The Medical and Dental Corps* shows an increase from 4,460 to 5,533. The cost of Medical and Dental services has been very prominently brought to our notice, and is specially dealt with at a later stage in this report.

*The Ordnance Corps* has increased from 2,428 to 5,075. This is largely accounted for by the vastly increased equipment of the Army and of its reserves of matériel, but, as we have already pointed out, this increase of equipment has not resulted in any corresponding economies in man-power.

*The Veterinary Corps* shows an increase from 348 to 472; *Military Police*, 511 to 922; and the *Army Pay Corps* from 744 to 1,116; and in addition the civilians employed by this corps have risen from 349 to 932. The War Office have, however, informed us since our interview with the Secretary of State and his advisers, that they are prepared to reduce the cost of the Army Pay Corps by 37·4 per cent.

In addition to the increased establishment of these various corps, we must remember that new corps have been added to the Army. For example, there is now a *Corps of Military Accountants*. The numbers submitted to us in the Estimates for this corps were 1,040, so that, in addition to the increase in the Army Pay Corps, there is an entirely new corps, dealing with the cost accounts of the Army. As in the case of the Army Pay Corps, the War Office have admitted they can make a cut of 24·6 per cent. In these two decreases alone there is nearly half a million of money.

Two further new corps have been added to the Army. One of these is *Signals*, with a total personnel of 5,877. In pre-war

days the duties of this corps were carried out by a branch of the Royal Engineers, with a personnel of 1,570. This corps is a result of the recent war and doubtless increases the facilities for communications. It is also of assistance to Commanding Officers in the tactical disposition of troops and in obtaining accuracy of artillery fire. The question, however, is whether the country can afford to have such a service unless there is to be a corresponding reduction in the fighting units, especially having regard to the fact that we cannot learn that at the moment there is any chance of a war with a highly organised Power which would have a specialised Signals branch of its own. Against semi-organised forces such a corps must justify its existence on the grounds of increased efficiency and corresponding reduction of bayonets, guns or sabres employed.

The other new corps is *Tanks*, with a personnel of 5,095, and the same considerations apply, although possibly to a greater degree.

A further point which an examination of this Appendix (C) brings out in a striking manner is the increased proportion of officers in the Army. Taking all branches of the Army, the ratio of officers to men before the war as 1 to 17, whereas now the ratio is as 1 to 14. These figures, when translated into numbers, indicate that the Army now has 2,313 more officers than it would have if the pre-war ratio between officers and men had been maintained.

We do not select any special arm of the service for comment in this connection, as the tendency to increase the ratio of officers is general throughout, but, as some indication as to what this increase implies, it is sufficient to say that the increased ratio of officers involves the Taxpayer in more than £1,000,000 per annum.

The increase in officers flows right through, from the infantry regiments to the highest Command Staffs, and, just as we think that the addition of a Signal Corps or a Tanks Corps should justify itself and the increased efficiency of the fighting machine by a reduction in cost, so we think that the increased establishments of officers through the Army can only be justified if there are corresponding reductions in cost in other directions.

4. *Staffs and Commands.*

In the United Kingdom there are seven principal Commands, namely :—

Aldershot.
Eastern.
Northern.
Southern.
Western.
Scottish.
Irish.

Each Command is commanded by a General Officer Commanding-in-chief, with a staff, and with one exception (Alder-

shot) is divided into two or more geographical areas. There is a total of 16 areas, each of which is commanded by a General Officer, this officer combining the duties of Area Commander in some cases with other duties : for example, in some cases he is the Commander of a Territorial Army Division, and in others the Commander of a Regular Division, located in the area.

The Expeditionary Force which the Home Army is intended to provide comprises 6 divisions, and each division has allotted to it a General Officer commanding the division and a staff, and he has under him the various divisional and brigade formations.

The total staff of these Commands at Home and at Defended Ports is 963, as compared with 936 before the war, but there has been a very large increase in the staffs abroad. The staff in Egypt has increased from 6 to 73 (including Palestine), and in addition we now have—

A staff of 58 officers on the Rhine ;
A staff of 115 officers at Constantinople ;
A staff of 87 officers at Irak, and
A staff of 92 officers and 121 other ranks employed on missions in various capitals of the world.

With so much of the Army out of England, we cannot but think that a careful scrutiny would enable the Home staffs to be cut down in order largely to provide for the overseas requirements. We consider that a careful enquiry would show how valuable reductions in those staffs, both at home and abroad, could be effected.

*5. Army, Divisional and other Troops.*

In addition to the units forming the divisions for the Expeditionary Force, a number of formations have been added to the divisional organisation, but we would suggest that, in view of the fact that no great war is to be anticipated for some years, and having regard to the need for drastic economy, it is hardly necessary to maintain at the present time the full divisional cadres of artillery, signals and other arms in order to provide for 6 divisions going abroad, as such.

For each division the following establishments exist :—

1 Divisional Headquarters.
3 Infantry Brigade Headquarters.
1 Divisional Artillery Headquarters.
3 Field Artillery Brigade Headquarters.
1 Divisional Royal Engineers Headquarters.
1 Divisional Signal Headquarters Company.

In addition to these divisional troops and establishments, there are allocated for the Army mobile batteries of Garrison Artillery. In 1914/15 the total number of all ranks attached to these batteries was 1,609, whereas to-day there are 4,872.

It may be argued that this increase in the personnel attached to mobile batteries has been to some extent met by a reduction in the number of men in coastal batteries, but, in the present

circumstances, it seems clear that large reductions in the personnel of coastal batteries should be made in any case.

This addition of heavy artillery to the equipment of the Expeditionary Force must have added very materially to its efficiency and power, and, having regard to the type of enemy we are likely to meet, we feel that, as in the case of Signals, Tanks, Air, &c., large reductions should be possible in the size of the Army if it has the benefit of these enormous additions to its power. This mobile heavy artillery constitutes in fact, though not in name, a new corps.

6. *Surplus Units.*

The Secretary of State, in his memorandum to the Cabinet, dated August last, stated that certain units existed which were surplus to the requirements of the Expeditionary Force, namely, 2 (or possibly 4) batteries of Royal Horse Artillery and 7 Horse Transport Companies, R.A.S.C.

We see no case for the retention of these units.

Apart from this, however, there is a long list of units maintained at Home in peace, but not required to form part of the Expeditionary Force on mobilisation, in which we think that some cutting down might be made. As illustrations of these units we refer to a Horse Transport Depot Company, consisting of 65 officers and 185 men for training horse transport drivers in peace, and for mobilisation of horse transport drivers and artificers for posting to such units as Field Ambulances and Headquarters Units. We draw attention to the enormous proportion of officers. There is also a Motor Transport Corps Depot, consisting of 21 officers and 858 men for similar duties with motor transport. This is a large increase on pre-war provision, and we suggest that in existing circumstances the training should be done with the units and thus avoid the continuance of companies of this description.

In the Expeditionary Force there is a provision for 4 infantry battalions for lines of communication. As it is difficult to conceive that in the next ten years we shall be sending a full 6-divisional force abroad, it appears hardly necessary to retain for its purposes 4 battalions to guard lines of communications, as it should be possible to provide these for smaller expeditions from other resources.

7. *War Office Staff.*

The total staff of the War Office is set out in Appendix (D), from which it will be seen that the numbers employed have increased from 1,878 to 4,114, but of these 560 are still required in connection with the distribution of medals, leaving a total increase of 1,676. In considering the details, it will be seen that the increase is general throughout. It is explained that this is to some extent due to the fact that Army regulations have to be recodified and recast and that the Army is in a state of flux and has not yet got back to a routine basis; that the

personnel are more difficult to deal with than in the past and raise more questions of an individual character; that problems arising out of the war remain to be solved; and to the fact that we have various activities in the Middle East. But one of the principal reasons given appeared to be the increase of domestic military correspondence, and in our opinion, as there is an increase of clerical staff in all the Commands (as pointed out under the heading of the Royal Army Service Corps), the way to stop this correspondence is to reduce the staff which creates it. The Army is little bigger than it was in 1913/14, and apart from those engaged in the issue of medals, we consider that the War Office Staff should be capable of considerable reductions, and during next year its numbers should, apart from the issue of medals, approximate to pre-war numbers. We recognise that if our suggestions as to the reduction in the size of the Army are adopted considerable additional work of a purely temporary character will be unavoidable.

As evidence of the possibility of a reduction in the Estimates, we may say that since our meeting with the War Office, they have indicated that a reduction in the Estimates for one Branch alone of £196,000 is possible, equivalent to 37·5 per cent. of the cost of that Branch. The total Estimates for the War Office for the year 1922/23 are £1,334,000, and this compares with £457,000 before the war.

## 8. Education.

The cost of Education of various kinds, including specialised training, has increased from £272,000 to £1,090,000, and as in the other services, there has been an enormous development in activity of this kind. A greater effort is being made not only to improve the general education of the soldier, but also better to fit him for civilian life, and the old Army Schools establishment of 19 officers and 267 warrant officers has expanded into an Army Education Corps of 252 officers and 375 warrant officers and sergeants. This additional education may have much to commend it, but the point is whether the country can afford at the present time to spend money in this way.

*Cadets.*

The net cost (included in total figures for Education) of educating cadets at Woolwich and Sandhurst was £35,420 in 1914/15 and is estimated at £198,000 in 1922/23, the cost now being £370 per annum for each cadet. We call attention to the fact that at Woolwich there is a staff of 217 for 280 cadets, and at Sandhurst 562 staff for 700 cadets. The fees charged amount only to £75 a year, as compared with £150 pre-war, and considerably lower fees are charged for the sons of regular and temporary officers who served in the war.

In our opinion, the cost should be reduced by at least £100 per annum per cadet, and on that understanding, the fees should

be raised to £200 per cadet, with half fees for the sons of the officers of His Majesty's Forces. As in the case of Dartmouth we also recommend that there should be a few scholarships for boys of outstanding ability whose parents have only slender means, and who show marked ability by some prescribed test.

*Specialised Training for Officers.*

Considerable developments have taken place in the Specialised Training for Officers, as a result of the experience of the war, due to activities in gas, tanks, machine guns, &c., the total cost, £538,000, being included in the figures given for education.

All the various schools which existed before the war, such as the School of Military Engineering; the Physical Training School; the School of Instruction at Shoeburyness, have increased their activities enormously, and new schools have been formed, such as—

The Senior Officers' School for Technical Training;
The Machine Gun School, Seaford;
The Anti-Aircraft Defence School;
The Central Gas School; and
The Tank Corps Central School.

We recognise the necessity for taking full advantage of the experience of the war, but we cannot see the necessity under the conditions which have been laid down for incurring the whole of this heavy cost. We think that the War Office should be told that in the present financial state of the country, great economies under this head have got to be realised, either by reducing the numbers of officers and men with specialised training, or by a slowing down of the rate at which this training is given.

9. Technical Establishments, Inspection and Research.

In the Army, as in the other two Services, great activity is shown under this head.

The cost of Inspection and Research is as under :—

| | Inspection. | Research. | Total. |
|---|---|---|---|
| | £ | £ | £ |
| 1914/15 ... ... | 154,580 | 109,000 | 263,580 |
| 1921/22 ... ... | 802,500 | 593,000 | 1,395,500 |
| 1922/23 ... ... | 620,000 | 625,000 | 1,245,000 |

Inspection is now at four times the pre-war cost. It is clear to us that the possession of large stocks of war material is directly responsible for the increase in expenditure under this heading, as whilst practically no new guns or ammunition are being produced there is a large staff engaged on the periodical inspection of these existing reserves of stores.

As regards Research, there are great increases in the pre-war establishments, namely, the Ordnance College and the Research

Department, but ten new establishments have come into being, of which the most costly are :—

| | £ |
|---|---|
| The Chemical Warfare Committee ... | 57,000 |
| Chemical Warfare Station, Porton ... | 68,000 |
| Tank Design Department ... ... ... | 70,000 |
| Signals Experimental Establishment ... | 36,000 |
| Experimental Bridging Company ... | 21,000 |

In our opinion, although doubtless Research—if economically and wisely conducted—is desirable, the country cannot afford to spend money on Research on this increased scale, with its consequent effect upon the Estimates, and in view of the fact that we have to consider a great war as unlikely in the next eight or ten years, we think that this Research should be slowed down, and that an allowance of £600,000 per annum would adequately meet the needs of the country in respect of both Inspection and Research, and this should be allotted by the Army Council in the directions where benefits are most likely to ensue.

## 10. Works and Buildings.

The provision for Works Services in the Army Estimates furnished to us is, including the Middle East, as follows :—

1921/22 : £6,851,600 (including Middle East, £1,745,100).
1922/23 : £6,921,000 (including Middle East, £1,723,000).

The provision for the current year includes :—

Major New Works : £2,269,000 (including Middle East, £1,050,000).
Minor Works : £250,000.
Purchase of Land : £375,000 (including Middle East, £175,000).

It should be observed that, including expenditure provided under other heads of the Vote, the estimated gross cost of the New Works, apart from maintenance, for 1921/22 is £3,982,000.

As regards the Middle East, £650,000 was provided this year for further barrack accommodation and temporary camps, rifle ranges, &c., in Palestine. We are informed that all expenditure on permanent works is suspended for the present, but that authority has been given for an expenditure of £115,000 on temporary camps and £21,000 on semi-permanent ordnance storage accommodation. For Mesopotamia £400,000 (in addition to about £500,000 included elsewhere in the Vote for enlisted labour) was provided for permanent cantonments, but in view of the change of policy only £30,000 has been spent up-to-date.

As regards works in this country it would appear, as a result of our enquiries, that the following large schemes for which initial provision is taken could be abandoned or postponed :—

| | Total Cost Estimate. £ |
|---|---|
| Signal Service Training Centre (Maresfield) ... ... ... | 188,500 |
| plus | 50,000 for land. |
| Accommodation for Mechanical Transport Companies, Ebury Bridge ... ... ... ... | 46,200 |
| School for Mechanical Transport Drivers, Catterick Bridge ... | 127,500 |
| Artificer's Training School, Blandford ... ... ... ... ... | 233,600 |
| School of Military Administration, Chisledon ... ... ... ... | 27,300 |
| Married Quarters, Leicester, Lichfield, and Lincoln ... ... ... | 20,400 |

The Estimates also contain provision for the following schemes for the reconstruction of barrack accommodation and the provision of married quarters for officers and men :—

| | Total Cost Estimate. £ |
|---|---|
| Reconstruction of Wellington Barracks ... | 183,000 |
| Warley Barracks ... ... ... ... | 10,400 |
| Chelsea Barracks ... ... ... ... | 117,000 |
| Quarters for N.C.O's. and Men (Guards), Francis Street ... ... ... ... | 140,000 |
| Artillery Barracks, St. John's Wood ... | 98,000 |
| Married Quarters— | |
| Aldershot ... ... ... ... | 63,700 |
| Bramley ... ... ... ... | 46,800 |
| Staff College ... ... ... ... | 44,200 |
| Curragh ... ... ... ... | 59,700 |
| Cork ... ... ... ... ... | 15,600 |
| Dublin ... ... ... ... ... | 10,600 |
| Bovington ... ... ... ... | 110,000 |

In existing financial circumstances we consider that, with the exception of Wellington and Chelsea Barracks, these schemes should be postponed or reduced. We understand that the amount included for Major New Works in the Estimate for 1922/23 is £2,710,000, of which £1,110,000 is for the Middle East. The latter amount will clearly require complete reconsideration in the light of the policy now adopted.

In view of the foregoing considerations we recommend that, apart from such expenditure on permanent works in the Middle East as may be imperatively necessary under existing policy, the provision for Major New Works in the Estimates for 1922/23 should be limited to £250,000.

Maintenance of Buildings accounted in 1921/22 for £2,217,000 under this head, and in view of the need for economy and falling prices we consider that there should be a cut of at least 40 per cent. in this figure.

## 11. Stores and Reserves.

The amount asked for in the Estimates for 1922/23 (excluding Middle East £389,000) is £3,926,700, which is the cost of the purchase of stores required.

At the end of the war, generally speaking, the Army was authorised to hold four years' stock of stores, and it was the intention to work down to one year's stock in kind, but having regard to the present financial situation and the tendency of prices still further to fall, we are of opinion that the margin of stores held should be considerably reduced, and that for ordinary trade articles stocks should be reduced to the equivalent of three months' consumption. Should prices stabilise, and the need for longer term contracts reappear, we see no reason why contracts should not be let with deferred dates of delivery.

With regard to general war stores, the War Office now hold equipment for 6 infantry divisions and 1 cavalry division, and also for 14 territorial divisions. We cannot but think that the psychological effect of holding all these stores must be such as to create in the military mind a great desire to have personnel, transport and all the other constituent parts of an army equally ready for the despatch of 20 divisions, equipped on a European war scale.

We will refer to the matter later under "Ordnance Factories," but we learn that at Enfield all the rifles and machine guns for this equipment are being overhauled at the present time; and, as we have already said, the inspecting staff under the Master-General of the Ordnance is occupied in testing and inspecting the ordnance equipment involved in this huge reserve, and indeed there is in the building programme an item for danger buildings at Bramley for the sole purpose of turning over the artillery ammunition and inspecting it under danger building conditions.

Over and above this aspect of the question, in storage space alone, field ammunition and components now require 1,800,000 sq. ft. as compared with 220,000 sq. ft. in 1914, war equipment, guns, &c., require 3,750,000 sq. ft. as compared with about 1,000,000 sq. ft.; with corresponding increases in care and maintenance, and guards throughout.

The civilian personnel in connection with these stores is now costing £2,500,000 per annum as compared with £500,000 pre-war. We have been particularly struck with this large cost of civilian personnel in connection with these depots, and have discussed with the War Office whether military labour could not be employed to a large extent on this work with economy to the State, provided they are drawn from existing units. We think that this should be rule and not the exception.

## 12. Royal Ordnance Factories and National Factories.

We are impressed with the efforts which are being made by the Director-General of Factories under very difficult circumstances to get down costs. There appears to be no military justification for keeping Woolwich, Waltham and Enfield at their present size.

The Director-General told us that Woolwich had been reduced to an establishment of 10,000 hands, allowing for short time; that he could not go below 8,000—not because he required so many, but because he had been instructed to keep foremen and supervisory personnel for immediate expansion on the outbreak of war—and that with that limitation, he could not reduce the number of operatives without getting them entirely out of proportion to the supervisory grades.

*Woolwich* is being employed by the Mint in various ways, on medals, on plaques, on battle clasps, and work of that kind, all of which will gradually come to an end. They are also building 100 locomotives at an estimated cost of £1,600,000, upon which a loss of £900,000 is estimated by the Director-General of Factories.

A special memorandum (Appendix (E)) gives further details about Woolwich and other Factories.

*Waltham Abbey*, the explosives factory, is being kept in commission to make a very small quantity of black powder, and there are about 500 persons on the pay roll. There is no justification at all for keeping this factory open, and it may be closed forthwith with very considerable saving to the Taxpayer. The factory could be retained if it was considered necessary so that should an emergency arise, it could be re-opened.

*Enfield* is occupied in making revolvers for the Army and upon overhauling and reconditioning the rifles and machine-guns retained as part of the equipment for the 20 divisions on mobilisation.

It is difficult to recommend any other specific economies in connection with these factories, or with the National Factories, but they are undoubtedly an unjustifiable expense to-day so far as Army costs are concerned, and they are further dealt with, as stated, in Appendix (E). Throughout our investigation we have been frequently struck by the cost which is involved in storing, maintaining, inspecting, and guarding war ordnance stores sufficient to equip twenty divisions, and this aspect is one well worthy of consideration. We have no knowledge as to whether it is intended to replace these stores as they become obsolete.

### 13. Clothing Allowance.

As in the case of the other two Services, we think that the standard of clothing allowance might be reduced by one-third, so that the soldiers, like civilians, should economise in their clothes, but it should be definitely understood that the standard of repair of uniform is considerably lowered, so that the men do not suffer. This will effect a saving of £500,000 a year.

### 14. Horses and Forage.

The provision for 1922/23 is £1,997,000. The feeding strength to-day is 62,000 horses, but we are told that for 1922/23 the establishment for horses amounts to 33,000, in addition to which 7,000 horses are in the Middle East, employed on aftermath services. We have seen no figures justifying the retention of

these 7,000 horses. Apart, however, from these, the establishment of horses of 33,000 compares with an average strength in 1914/15 of 28,542, notwithstanding the reduction of cavalry and the very large development of motor transport, and it is obvious that if the strength of the personnel is 14,000 to 20,000 below establishment, as anticipated by the War Office, there should be at least a corresponding reduction in the strength of horses.

We are confirmed in our view of this by evidence which was given to us that the Estimates for 1922/23 included a provision of £76,000 to replace horses which had been bought in the year 1921/22 and kept to meet anticipated requirements which had not materialised, and they had then been sold. In addition, £127,000 is provided for the purchase of 1,718 horses for existing units. If the army is reduced both these items should be saved.

The reduction shown, excluding Middle East, is only 13 per cent. It is admitted that the Estimates are framed on the prices which obtained in August last, and having regard to the considerations above and the heavy fall in the price of horses and forage, we feel that the provision under this heading should be reduced by £500,000.

## 15. Motor Transport Depots and Training.

We have given attention to the position with regard to Motor Transport, and attach a statement (Appendix (F)) showing the normal establishment and the additional vehicles held as Maintenance and Mobilisation Reserves in 1922/23 as compared with the total number of vehicles held in 1914. It will be seen that in total the number of vehicles, apart from motor cycles, is now 7,192 as compared with 479, and the number of motor cycles has risen from 24 to 2,415.

Before dealing with the normal establishment of these vehicles, we call attention to the extaordinarily large number of vehicles held as Maintenance and Mobilisation Reserves. At Home, the normal establishment comes to 1,541 vehicles, while the additional vehicles held are more than double this number, namely, 3,173. Abroad, the normal establishment is put at 1,041, the additional vehicles being 1,464. Having regard to the decision of the Cabinet as to the non-likelihood of war we think that as a first step the whole of the additional vehicles should be surrendered, which would at once release 4,637 vehicles and 1,486 motor cycles. We are forced to the conclusion that the mere possession of vast reserves of this kind results in increased costs for maintenance, garage charges, depreciation, and personnel, and further, that with this large number of additional vehicles available there is always the tendency to make use of them in preference to other forms of transport without carefully considering the alternative cost.

In regard to normal establishment, the principal type is the lorry of 3-ton or 30-cwt. capacity, and the normal Home establishment has grown from 124 in 1914 to 765 in 1922/23. The normal establishment for abroad is 306 of these lorries, whereas none was required in 1914. We understand that the system of supply-

ing the Army at Home has been materially changed, and that now bulk purchases are made and stores distributed for very considerable distances direct to the units by Army lorries. The reports upon which the change was made are quite unconvincing and we have not seen any figures which have satisfied us that this method of distribution is an economical one. We could not find that the Finance Branch of the War Office was satisfied as to the economy of the arrangement.

Motor cars which are included in above figures call for special comment. The establishment at Home in 1914 was 42, whereas for 1922/23 the establishment is shown as 90 for an Army at Home not larger than the pre-war Army. In addition, the Army are holding as Maintenance and Mobilisation Reserves a further 313 cars. As regards abroad, 3 cars were shown in the establishment for 1914; now the normal establishment is put at 182, and a further 161 cars are held in reserve.

The situation in regard to motor ambulances is even more striking. The establishment in 1914 was 13; it is now shown as 107, and 423 are held in excess of establishment. It is difficult to to conceive the reasons for holding these large numbers of ambulances.

Our investigation into these figures has led us to the conclusion that the establishment for motor transport is throughout on an unnecessary scale, and that without difficulty the Army should be able to manage with a normal establishment of not more than 50 per cent. of the numbers shown, in addition to surrendering the whole of the vehicles now held above establishment.

In spite of these large numbers of surplus cars, the Army propose to spend £10,000 on the purchase of ten 30-cwt. pneumatic-tyred lorries. It may be that the pneumatic-tyred lorry will prove to be the vehicle of the future; but we do not think the State can afford to indulge in experiments of this character at the present time, having regard to the fact that surplus cars are held in such large numbers.

It is interesting to note that in 1922/23 the War Office propose to spend £324,000 for spare parts for the vehicles on normal establishment, and this works out to an average of £139 per vehicle for material only, without anything for the value of labour or overhead charges. The labour will probably, even with the most economical management, work out at a ratio of not less than 10*s*. to £1 value of spare parts used, so that the average cost of maintenance per vehicle on normal establishment for next year is estimated at £200, which is a very high figure. As in the case of other stores, the Army holds large stocks of spare parts and other equipment so as to be ready in the event of mobilisation. The value of these stocks amounts to roughly £1,000,000.

In addition to this Mobilisation Reserve large stocks of spares are held, amounting in value to more that £678,000, which should be used before further purchases are made.

In the analysis of the estimates of expenditure on Motor Transport for 1922/23, we observe that it is proposed to spend £10,800 on reconditioning 27 armoured cars in order to complete the peace

establishment of the Territorial Army. We think this is an illustration of the kind of expenditure which can well be deferred.

We have also considered the personnel of the Transport Companies. The establishment for a service company of 20 four-wheeled vehicles of 3 officers and 80 other ranks, that is, four men to each vehicle. Thirty drivers are shown, which gives a 50 per cent. margin over one driver to each vehicle, and 20 cleaners are provided, that is, 1 cleaner to each vehicle. Over and above these numbers there are workshop personnel numbering 18 per Company. It should be remembered in considering these figures that in the normal establishment the 20 vehicles are not all lorries, possibly only 14 are lorries, 2 motor cars, and the remainder made up of workshop vehicle and ambulances (not in regular use). We have ascertained the figure with regard to the cleaning staff employed by large Omnibus Companies, and find the ratio in their case is approximately one man for each five vehicles. In the case of large double-decked trams, the ratio is only two cleaners for 5 cars.

16. MILITIA.

The provision in the Estimates for this force is £1,500,000, as compared with £260,000 in the current year. If it is recruited, the cost will increase to £2,750,000 per annum, as compared with slightly over £1,000,000 for the Special Reserve of pre-war days.

We are of opinion that the necessity for recruiting this force at the present time should be further considered, as, in the event of an emergency arising, there exist large numbers of men in the civilian population who have had a thorough training in arms, and who would quickly respond if their services for the defence of the Empire were required.

17. TERRITORIAL FORCE.

Provision for this force in 1922/23 is slightly under £5,000,000. This was for an establishment of 192,000; in actual fact, the strength is only 138,000, but the War Office anticipate that this shortage will not produce any reduction in 1922/23 owing to the initial expense in connection with the formation of the Force.

The cost per head in 1914/15 was £13 2*s.* 3*d.*, whereas the estimated cost for next year is £30 5*s.* 3*d.*

The permanent divisional and regimental staffs are practically maintained at pre-war numbers and the cost of them to-day is £1,135,000, and even with projected reductions, will cost nearly £1,000,000, with a smaller number of men.

With no immediate prospect of war, and therefore with a much more slender prospect of invasion of these Islands, we are of opinion that the whole of the permanent staff for the Territorial Force should be reviewed, and that the expenditure on staff should not exceed £500,000 per annum. But although there is provision for 192,000 of all ranks (which is considerably less than pre-war), we fail to see how this part of the defence of the Empire can adequately be considered from the point of view of economy with-

out bringing in the Air. Aerial attack must be one of the principal considerations of the future, and we suggest that the Territorial Force, in so far as it is cast for the defence of these Islands, cannot be considered without considering at the same time the problem of defence against aerial attack. If the Cabinet see fit to adopt our suggestion as to the creation of a Minister of Defence, this is one of the questions which would undoubtedly be considered by that Minister when created.

18. MEDICAL SERVICES.

The establishment of the Royal Army Medical Corps is increased from 4,460, costing £695,000 in 1914/15 to 5,533, costing £1,700,000, in 1922/23. Of the increases of 157 officers and 916 other ranks, 94 officers and 168 other ranks are for the new Dental Corps. The remainder are stated to be due to provision for garrisons in Mesopotamia, Palestine and on the Rhine. The total cost of all Army Medical Services is stated to be as follows :—

| | Total Cost. | Per head of British and Colonial Troops. |
|---|---|---|
| | £ | £ s. d. |
| 1914/15 ... ... | 1,340,000 | 7 13 8 |
| 1921/22 ... ... | 3,979,000 | 19 12 7 |

No comparative figures for 1922/23.

These figures are calculated under the new Army Cost Accounting System to cover the whole cost of the Service, including effective and non-effective pay and maintenance of medical staff, the maintenance of hospitals, the purchase of medicines, &c., and the hire of a hospital ship, and it cannot, therefore, be compared strictly with the Naval cost of £12 a head. Making all allowances, however, for this consideration and the additional expenditure involved by conditions in the Middle East, the cost appears to us to be unduly high. The Army had no hospital ship before the war. The Navy had one and now has two. The Army hospital ship costs £172,000 per annum and we suggest that combined use of the Naval ship should be considered.

In this connection we desire to state that in our opinion very heavy avoidable expenditure is involved in the maintenance of separate Medical Services for the Navy, Army and Air Force.

The present position is that the Army and Air Force maintain separate Medical Corps and Nursing Services. We are informed that the rates of pay granted to Air Force Medical Officers in 1918 led to increases being made in Army rates beyond those originally recommended by the War Office. Apart from the maintenance of separate Services, efforts appear to have been made to avoid overlapping by enabling the Air Force to make use of Army hospitals and laboratories and to draw medical stores from Army supplies.

The Naval and Military Medical Services appear to be entirely separate, and we have received remarkable particulars as regards Service hospitals at home and abroad which appear to us to indicate very serious duplication. Abroad separate Naval and Military hospitals are maintained at Bermuda, Hong Kong, Gib-

raltar and Malta. The figures of admission to these hospitals given to us for August and September appear to indicate that at each of these Stations one hospital would have provided sufficient accommodation.

At home there are twenty-four Army hospitals which have another Army hospital within 10 miles of them. Apart from this the Army and Navy have separate hospitals (each having in some cases more than one) in the following areas :—

| *Army.* | | *Navy.* |
|---|---|---|
| Chatham and Gravesend. | | Chatham. |
| Shorncliffe and Dover. | | Deal. |
| Chichester. | | |
| Cosham. | | Eastleigh. |
| Gosport. | *Portsmouth Area.* | Forton. |
| Netley. | | Haslar. |
| Hilsea. | | |
| Devonport. | | Plymouth. |
| Pembroke Dock. | | Pembroke Dock. |
| Edinburgh. | | South Queensferry. |

The number of patients in Navy, Army and Air Force hospitals at home on the 21st October last, as compared with equipped beds, were as under—

| | Equipped Beds. | Patients. |
|---|---|---|
| Officers ... ... ... ... | 607 | 234 |
| Other Ranks ... ... ... | 11,249 | 5,101 |

From which it appears that the hospitals are not half used. A unified Medical Service would yield substantial benefits, but meantime we consider that the War Office should effect a drastic review of the number of Army hospitals with a view to their reduction and concentration, and that arrangements should be made between the War Office and Admiralty similar to those which have already been made between the War Office and the Air Ministry, with a view to the avoidance of duplicated provision, by means of the mutual use of Army or Navy hospitals, whichever course is more economical in any particular area. We think also that disabled war pensioners should be admitted into Military and Naval hospitals indiscriminately, thus effecting a saving in Ministry of Pensions hospital charges.

### 19. Travelling Concessions.

As in the case of the Navy, officers and men obtain return tickets at a single fare the difference being paid by the War Office. There seems to be no sufficient reason for the continuance of this concession, which was not given by the Government before the war.

### 20. Analysis of Establishments.

We have now dealt with the Army Estimates in two main directions. We have suggested that by limiting our overseas

garrisons, and reducing the corresponding units at Home, a great reduction could be made in the size of the Army. We have also dealt with a limited number of instances where we think economies could be made. These latter reductions are very largely additional to the economies, direct and indirect, suggested by our first line of thought, which involves a reduction of at least 28 battalions of infantry, with consequent reductions of other arms and services, but we wish clearly to indicate that the economies we have suggested are by no means exhaustive, nor do they represent a complete review of the whole of Army expenditure. We do not doubt that further study on these lines would reveal the possibility of many additional economies.

We have been impressed with the great extension of activity on the part of the Army, compared with the activity which existed before the war under the head of additional Arms, additional Staff, additional Clerks, additional Establishments in the War Office, additional Education and Research Establishments, and so forth, and we have therefore endeavoured to arrive at a calculation which would show what use the Army Council is making of the man power for which it is asking. In order to test whether, on the whole, the man power is economically employed, we have made the following calculations :—

*Pre-War Estimates*, 1914/15.

| | |
|---|---|
| Force abroad ... ... | 108,928 |
| 80 per cent. for relief and drafting units at home | 87,143 |
| Total ... ... | 196,071 |
| Add one-seventh for recruits ... ... ... | 28,010 |
| Total requirements for maintenance of forces abroad ... ... ... ... | 224,081 |
| Additional personnel at home for other purposes | 24,560 |
| | 248,641 |

In the first place, we have taken the pre-war army of 248,641 men, which includes the British troops in India. At that time the force abroad was 108,928 men, and a number of 87,143 (or 80 per cent.) provided the link units at home, with their ancillary services. That gave a total of 196,071.

If we add 28,010—the average number of recruits which is equal to one-seventh of the above figure—the total requirements for the maintenance of forces abroad, including the link battalions at home, are 224,081 men.

Before the war, in addition, there were 24,560 men at home, including the Guards and Household Cavalry, which made up a total of 248,641.

This table, which is given opposite, is an analysis of the pre-war army.

If we apply the same principles to the army estimated for 1922/23, we get the following result :—

*Estimates for* 1922/23.

| — | Peace Requirements. | Additional for Abnormalities. |
|---|---|---|
| India ... ... ... | 63,896 | 7,084 |
| Rhine ... ... ... | — | 10,262 |
| Egypt (pre-war) ... ... | 6,214 | 4,679 |
| Constantinople ... ... | — | 2,584 |
| Palestine ... ... ... | — | 5,473 |
| Iraq ... ... ... | — | 5,185 |
| Colonial and other garrisons abroad, missions, etc. | 16,348 | — |
| Total abroad ... | 86,458 | 35,267 |
| 80 per cent. for relief and drafting units at home. | 69,166 | — |
| Total ... ... | 155,624 | — |
| Add one-seventh for recruits. | 22,232 | — |
| Total requirements for maintenance of forces abroad. | 177,856 | — |
| Additional personnel at home on pre-war basis. | 24,560 | — |
| Total ... ... | 202,416 | — |
| **Additional personnel provided in 1922-23. Estimates over peace requirements.** | 54,429 | — |
| Numbers estimated for | 256,845 | — |

India has asked for a normal British garrison of 63,896 men, but she is at present retaining, abnormally, 7,084.

The Rhine has no peace requirements, but is at present retaining 10,262 men. Egypt, in pre-war days, had 6,214, and to-day she has 4,679 additional. Constantinople has now 2,584, Palestine 5,473 and Iraq 5,185, all post-war abnormal demands.

The garrison duty abroad on the present peace requirements of the War Office account for 16,348 men, so that our normal requirements abroad are 86,458 men; our abnormal requirements are an additional 35,267.

Following the proportions pre-war, we add to the normal peace requirements of 86,458, 69,166 for link units at home, 80 per cent., giving a total of 155,624 for peace requirements and the link units at home, to which one-seventh must be added for recruits. This gives a total of 177,856 for requirements of the forces abroad, as compared with 224,081 before the war.

Then we add the same number of additional troops at home on the pre-war basis, namely 24,560, and we arrive at a total peace requirement of 202,416 men, which, deducted from the total number included in the estimates, leaves an unaccounted-for balance of 54,429.

This table appears to us to be an accurate, mathematical compilation, based on actuals. The question that we have to ask is how the additional and abnormal demands of 35,000 are to be met, and why there is an excess of 54,000 on the Estimates?

We think it not unreasonable that a very large portion of the additional and abnormal demand for 35,000 men should be met either from the 69,000 men in line units at home, or from the 24,000 additional personnel at home on the pre-war basis, which include the whole of the Guards Battalions. In fact, to-day the

troops on the Rhine are considered as Home Service battalions and are admittedly the link battalions of Foreign Service units. If this fails to find the men needed, we suggest that the foreign garrisons, which take up 16,348 men, should be resorted to, and that the recruit course be curtailed for the present.

The 54,000 additional troops provided in the 1922/23 Estimates for the theoretical peace requirements are accounted for as follows: The War Office has asked for a money provision for 14,000-20,000 men more than they believe they can enlist, and therefore the excess is brought down to something under 40,000. In addition, there is the great increase of new corps, additional officers and men on the Staff, Schools, Training, and so forth.

This calculation appears to us to confirm our view that the staffing and use of the man power in the Army to-day is on a far less economical basis than it was before the war, and that in addition to anything that the Government may see its way to do in the direction of reducing battalions abroad and link battalions at home on the lines of the first portion of this Report, they should also require the Army to reduce very materially the Estimates for personnel.

It will be seen that in several instances the Estimates have been cast in a way which shows large margins, and we desire here to comment upon a facility which has recently been afforded the War Office. Upon the recommendation of the Select Committee on National Expenditure, a new form of accounts has been adopted under which the whole of the Army Estimates are taken as one Vote. Consequently, with Treasury approval, but without statutory authority, any excess under one heading can be applied to meet a deficiency under another heading. This facility has already been under the consideration of the Public Accounts Committee, and they have expressed the opinion that if there is any important departure from the original programme of expenditure the matter should be brought to the notice of Parliament, either by presenting a statement showing the revised allocation of expenditure, or, if necessary, by submitting a Supplementary Estimate in the form of a token Vote. Having regard to the extreme importance of Parliamentary and Treasury control, we are of opinion that the question of such transfer requires strict scrutiny.

We are convinced from our survey of the War Office Estimates that there is great room for economy in men and money without in any way endangering the defence of the Empire.

## 21. SUMMARY OF CONCLUSIONS.

**As a result of our consideration, we are of the opinion:—**

**(1.) That man-power has been estimated on a lavish scale for 1922/23, and that a reduction of 50,000 officers and men could be made, without in any way reducing the forces employed by the War Office on foreign service.**

(2.) That the introduction of new arms and corps, and of the Air Force, which have been created with the object of increasing the fighting efficiency of the defence forces of the Empire, is not reflected in corresponding reductions in other directions, and that savings could be made on that account.

(3.) That there has been an increase in all the ancillary and auxiliary services of the Army which the country cannot afford and in which drastic economies should be made.

(4.) That the abnormal reserve of mobilisation equipment and arms now held is costly to store, guard and maintain, and that the effect of holding it results in heavy additional indirect cost.

(5.) That the Army Estimates for 1922/23 should be reduced from £75,197,800 to £55,000,000 for that year, and that in the subsequent year still lower Estimates should suffice.

In this recommendation no account is taken of possible further reductions resulting from a review by the Government of our military requirements at Home and Abroad, normal and abnormal.

No account has been taken of any reduction in pay and allowances which the Government may decide to make, and no account is taken of any abnormal increase in the Non-Effective Vote, caused by a reduction of personnel transferred to the Retired List, with both of which items we deal separately in a later Report.

# APPENDIX (A).

## Army Estimates 1922/23.

Details under the old Votes, of the £78,000,000 (including £3,000,000 for Terminal Charges) shown on p. 10 of the Secretary of State's Paper of August, 1921, as compared with the Votes for 1914/15.

| Vote. | Heading. | 1914–15. | | | 1922–23. | | |
|---|---|---|---|---|---|---|---|
| | | Gross. | Appropriations in Aid. | Net. | Gross. | Appropriations in Aid. | Net. |
| | | £ | £ | £ | £ | £ | £ |
| 1 | Pay, &c., of the army. | 10,150,000 | 1,445,000 | 8,705,000 | 28,540,050 | 4,881,750 | 23,658,300 |
| 2 | Medical establishments. | 438,600 | 1,600 | 437,000 | 1,222,100 | — | 1,222,100 |
| 3 | Special reserve ... | 733,000 | 9,000 | 724,000 | 1,595,000 | — | 1,595,000 |
| 4 | Territorial army ... | 3,091,650 | 5,650 | 3,086,000 | 4,694,000 | 11,000 | 4,683,000 |
| 5 | Education ... ... | 254,620 | 93,620 | 156,000 | 631,100 | 51,700 | 579,400 |
| 6 | Quartering, transport and remounts. | 1,802,000 | 70,000 | 1,732,000 | 10,088,390 | 1,198,400 | 8,889,990 |
| 7 | Supplies ... ... | 3,055,000 | 60,000 | 2,995,000 | 12,725,710 | 60,700 | 12,665,010 |
| | Clothing ... ... | 1,557,200 | 164,200 | 1,393,000 | 1,682,000 | 353,000 | 1,329,000 |
| 8 | Ordnance Department, establishments and general stores. | 846,000 | 225,000 | 621,000 | 2,793,800 | 355,000 | 2,438,800 |
| 9 | Warlike and engineer stores. | 2,115,000 | 383,000 | 1,732,000* | 4,274,400 | 500,000 | 3,774,400 |
| 10 | Works and buildings | 2,944,980 | 153,980 | 2,791,000 | 8,435,000 | 250,000 | 8,185,000 |
| 11 | Miscellaneous ... | 67,200 | 8,200 | 59,000 | 950,600 | 2,400 | 948,200 |
| 12 | War Office... ... | 458,000 | 1,000 | 457,000 | 1,337,000 | 3,000 | 1,334,000 |
| 13 | Non-effective officers | 2,350,870 | 504,870 | 1,846,000 | 3,905,078 | 506,018 | 3,399,060 |
| 14 | Non-effective w.o.'s., n.c.o.'s. and men. | 2,515,000 | 533,000 | 1,977,000 | 3,723,540 | 542,300 | 3,181,240 |
| 15 | Non-effective civilians. | 134,080 | 80 | 134,000 | 252,382 | 82 | 252,300 |
| | Total ... | 32,513,200 | 3,668,200 | 28,845,000* | 86,850,150 | 8,715,350 | 78,134,800 |

* This total for 1914–15 contained £1,000 for aviation, of which £500,000 was in Vote 9.

*War Office, November* 8, 1921.

# APPENDIX (B).

## Army Estimates 1922–23.

Details under the items adopted for the Secretary of State's paper of August 1921 of the £78,000,000 (including £3,000,000 Terminal charges) shown on p. 10 of the paper, as compared with the corresponding figures for 1921–22.

| | 1921–22. | | | | 1922–23. | | | |
|---|---|---|---|---|---|---|---|---|
| | Home and Abroad, excluding Middle East. | | Middle East. | | Home and Abroad, excluding Middle East. | | Middle East. | |
| | Nos. | Net Cash. | Nos. | Net Cash. | Nos. | Net Cash. | Nos. | Net Cash. |
| | | £ | | £ | | £ | | £ |
| 1. Regimental Personnel. Main Items of Maintenance— | | | | | | | | |
| (i.) British Troops ... ... ... ... ... | 169,239 | 29,408,494 | 15,550 | 3,619,200 | 166,702 | 28,866,000 | 11,000 | 2,520,000 |
| (ii.) Colonial Corps, Indian Troops and Followers | 18,670 | 2,370,576 | 43,676 | 8,132,210 | 9,380 | 1,094,000 | 14,791 | 2,791,000 |
| (iii.) Labour and Colonial Allowances ... ... | — | 567,360 | — | 2,422,870 | — | 827,350 | — | 785,000 |
| 2. Educational and Technical Establishments ... ... | — | 2,716,900 | — | 31,000 | — | 2,491,800 | — | 23,000 |
| 3. War Office and other Staffs ... ... ... ... | — | 3,176,000 | — | 205,340 | — | 2,524,300 | — | 97,000 |
| 4.— (i.) Army Reserve ... ... ... ... ... | — | 1,387,000 | — | — | — | 1,387,000 | — | — |
| (ii.) Militia ... ... ... ... ... ... | — | 260,000 | — | — | — | 1,500,000 | — | — |
| (iii.) Territorial Army, including Horses, excluding Stores. | — | 5,442,900 | — | — | — | 4,978,700 | — | — |
| (iv.) Nurses and Civilian Medical Practitioners, O.T.C. and Colonial Militia. | — | 407,700 | — | 22,500 | — | 335,200 | — | 12,000 |
| 5 Horses and Forage, excluding Territorial Army ... | — | 1,762,840 | — | 2,099,000 | — | 1,526,000 | — | 471,000 |
| 6. Wages (Medical, Ordnance and R.A.S.C.) ... ... | — | 2,999,900 | — | 178,000 | — | 2,539,500 | — | 184,000 |
| 7. Stores ... ... ... ... ... ... ... | — | 4,434,650 | — | 1,657,850 | — | 3,926,700 | — | 389,000 |
| 7A. Clothing ... ... ... ... ... ... ... | — | 358,050 | — | 373,000 | — | 346,000 | — | 136,000 |
| 8. Works, &c.... ... ... ... ... ... ... | — | 5,106,500 | — | 1,745,100 | — | 5,198,000 | — | 1,723,000 |
| 9.— (i.) Land Transport ... ... ... ... ... | — | 2,296,070 | — | 2,970,980 | — | 2,026,450 | — | 455,000 |
| (ii.) Sea Transport ... ... ... ... ... | — | 1,977,400 | — | 1,936,500 | — | 2,034,400 | — | 1,072,000 |
| 10. Miscellaneous, including Field Training and Gratuities and Unemployment Insurances. | — | 816,610 | — | 327,050 | — | 682,050 | — | 92,000 |
| 10A. Aden ... ... ... ... ... ... ... | — | — | — | 308,500 | — | — | — | 250,000 |
| 11. Non-effective ... ... ... ... ... ... | — | 6,832,550 | — | — | — | 6,832,600 | — | — |
| Total ... ... ... ... ... | — | 72,321,500 | — | 26,029,100 | — | 68,916,050 | — | 11,000,000 |
| Appropriations in Aid* ... ... | — | 4,661,500 | — | — | — | 4,718,250 | — | — |
| Net total, excluding Terminal ... | — | 67,660,000 | — | 26,029,100 | — | 64,197,800 | — | 11,000,000 |
| Terminal ... ... ... ... | — | 10,155,000 | — | 2,470,900 | — | 2,927,000 | — | 10,000 |
| Net total, including Terminal ... | — | 77,815,000 | — | 28,500,000 | — | 67,124,800 | — | 11,010,000 |

* These appropriations in aid cover only the payments from India and the Colonies, and the German marks locally received from Germany; in other respects the charge items are shown net.

# APPENDIX (C).

## NUMBER of Men on the Establishment of the Army, exclusive of India.

(These figures are those used for the memorandum on Future Military Expenditure of August, 1921, but the details have not yet received the approval of the Army Council.)

| | 1914–15. | | | Proposed for 1922–23. | | |
|---|---|---|---|---|---|---|
| | Officers. | Other Ranks. | All Ranks. | Officers. | Other Ranks. | All Ranks. |
| 1. BRITISH TROOPS. | | | | | | |
| Regimental establishments— | | | | | | |
| Cavalry, including Household Cavalry. | 544 | 13,989 | 14,533 | 489 | 9,684 | 10,173 |
| Royal Artillery ... ... ... | 1,313 | 31,256 | 32,569 | 1,334 | 26,126 | 27,460 |
| Royal Engineers ... ... ... | 695 | 9,197 | 9,892 | 1,162 | 10,607 | 11,769 |
| Royal Corps of Signals ... ... | — | — | — | 315 | 5,562 | 5,877 |
| Infantry, including Foot Guards | 3,414 | 92,050 | 95,464 | 3,743 | 88,795 | 92,538 |
| Corps of Military Police ... | 3 | 508 | 511 | — | 922 | 922 |
| Tank Corps ... ... ... | — | — | — | 280 | 4,815 | 5,095 |
| Royal Army Service Corps ... | 456 | 5,849 | 6,305 | 700 | 10,314 | 11,014 |
| Royal Army Medical Corps and Dental Corps. | 663 | 3,797 | 4,460 | 820 | 4,713 | 5,533 |
| Royal Army Ordnance Corps ... | 232 | 2,196 | 2,428 | 362 | 4,713 | 5,075 |
| Royal Army Veterinary Corps ... | 99 | 249 | 348 | 100 | 372 | 472 |
| Royal Army Pay Corps... ... | 183* | 561 | 744 | 212 | 904 | 1,116 |
| Corps of Military Accountants... | — | — | — | 140 | 900 | 1,040 |
| Total British troops ... | 7,602 | 159,652 | 167,254 | 9,657 | 168,427 | 178,084 |
| Permanent Staffs of— | | | | | | |
| Territorial Army, Officers' Training Corps, and Channel Islands and Colonial Militia, &c. | 629 | 2,429 | 3,058 | 568 | 2,205 | 2,773 |
| Staff and departments— | | | | | | |
| Inspector-General of the Forces and Staff. | | | | | | |
| War Office Staff ... ... ... | | | | | | |
| Staff of Commands ... ... | 811 | 131 | 942 | 1,237 | 272 | 1,509 |
| Army Medical and Veterinary Staff, including War Office Staff. | | | | | | |
| Royal Army Chaplains Department. | 117 | — | 117 | 200 | — | 200 |
| Total staff and departments | 928 | 131 | 1,059 | 1,347 | 272 | 1,709 |

* In 1914–15 the officers of the Army Pay Department were shown in the Estimates under the head of "Departments"; they are here shown under the Royal Army Pay Corps for comparison with 1922–23.

| | 1914–15. | | | Proposed for 1922–23. | | |
|---|---|---|---|---|---|---|
| | Officers. | Other Ranks. | All Ranks. | Officers. | Other Ranks. | All Ranks |
| Miscellaneous establishments— | | | | | | |
| Military Provost Staff Corps (military prisons and detention barracks). | 9 | 164 | 173 | 19 | 292 | 311 |
| Army Education Corps (Army school establishments, 1914–15). | 19 | 267 | 286 | 252 | 375 | 627 |
| Schools of Artillery (School of Gunnery, 1914–15). | 27 | 107 | 134 | 40 | 399 | 439 |
| Central Small Arms School (School of Musketry, 1914–15). | 12 | 45 | 57 | 23 | 55 | 78 |
| Physical Training School and instructors (gymnastic staff, 1914–15). | 17 | 155 | 172 | 21 | 237 | 258 |
| Royal Military Academy ... | 26 | 16 | 42 | 34 | 39 | 73 |
| Royal Military College ... ... | 55 | 67 | 122 | 73 | 138 | 211 |
| Artillery College (Ordnance College, 1914–15). | 15 | 67 | 82 | 29 | 123 | 152 |
| Research Department ... ... | 4 | 40 | 44 | 7 | 55 | 62 |
| Experimental Establishment ... | 3 | 79 | 82 | 21 | 300 | 321 |
| Air Defence Schools ... ... | — | — | — | 10 | 60 | 70 |
| Machine-gun School ... ... | — | — | — | 14 | 134 | 148 |
| Tank School ... ... ... | — | — | — | 25 | 172 | 197 |
| Central Gas School ... ... | — | — | — | 9 | 44 | 53 |
| School of Military Administration. | — | — | — | 11 | 83 | 94 |
| Officers' Cadet School ... ... | — | — | — | 7 | 61 | 68 |
| Boys' Training School, Blandford | — | — | — | 21 | 209 | 230 |
| Other colleges and schools and miscellaneous establishments. | 205 | 27 | 232 | 179 | 258 | 437 |
| Total miscellaneous establishments. | 392 | 1,034 | 1,426 | 795 | 3,034 | 3,829 |
| Total, exclusive of Indian and native troops. | 9,551 | 163,246 | 172,797 | 12,457 | 173,938 | 186,395 |
| Colonial and Indian native troops. | 300 | 8,471 | 8,771 | — | — | 24,171 |
| Total ... ... | 9,851* | 171,717* | 181,568* | — | — | 210,566 |

* Exclusive of Royal Flying Corps and Central Flying School and "additional numbers."

# APPENDIX (D.)

## Staff of the War Office, 1914/15 and 1922/23.

| —— | Military Officers. | Military Clerks. | Civil Servants. | Pre-war ex-soldier Clerks. | Temporary Staff. | Total. |
|---|---|---|---|---|---|---|
| Army Council— | | | | | | |
| 1914–15 ... ... | 4 | — | Nil | — | — | 4 |
| 1922–23 ... ... | 5 | — | 2 | — | — | 7 |
| Secretary— | | | | | | |
| 1914–15 ... ... | 1 | — | 133 | — | 28 | 162 |
| 1922–23 ... ... | 2 | — | 220 | — | 193 | 415 |
| M.S.— | | | | | | |
| 1914–15 ... ... | 2 | Nil | 6 | 19 | 1 | 28 |
| 1922–23 ... ... | 10 | 3 | 9 | 19 | 141 | 182 |
| C.I.G.S.— | | | | | | |
| 1914–15 ... ... | 71 | 39 | 11 | 30 | 30 | 181 |
| 1922–23 ... ... | 118 | 39 | 13 | 30 | 97 | 297 |
| A.G.— | | | | | | |
| 1914–15 ... ... | 28 | 10 | 12 | 103 | Nil | 153 |
| 1922–23* ... ... | 69 | 23 | 6 | 103 | 98 | 299 |
| Q.M.G.— | | | | | | |
| 1914–15 ... ... | 30 | 12 | 9 | 61 | 1 | 113 |
| 1922–23 ... ... | 66 | 16 | 4 | 61 | 85 | 232 |
| M.G.O.— | | | | | | |
| 1914–15† ... ... | 32 | 14 | 54 | 37 | 130 | 267 |
| 1922–23 ... ... | 57 | 12 | 35 | 37 | 78 | 219 |
| U.S. of S.— | | | | | | |
| 1914–15 ... ... | 3 | — | 14 | 8 | 6 | 31 |
| 1922–23 ... ... | 5 | — | 22 | 8 | 61 | 96 |
| Finance (including a total of 215, 1914–15, and 313, 1922–23, for Local Audit Offices)— | | | | | | |
| 1914–15 ... ... | 3 | Nil | 329 | — | 189 | 521 |
| 1922–23 ... ... | 13 | 15 | 507 | — | 322 | 857 |
| Contracts— | | | | | | |
| 1914–15 ... ... | — | — | 46 | — | 10 | 56 |
| 1922–23 ... ... | — | — | 51 | — | 53 | 104 |
| Total— | | | | | | |
| 1914–15 ... | 174 | 75 | 614 | 258 | 395 | 1,516 |
| 1922–23 ... | 345 | 108 | 869 | 258 | 1,128 | 2,708 |
| Medals— | | | | | | |
| 1914–15 ... ... | — | — | — | — | — | Nil |
| 1922–23 ... ... | 14 | — | — | — | 546 | 560 |
| Typists— | | | | | | |
| 1914–15 ... ... | — | — | — | — | — | 55 |
| 1922–23 ... ... | — | — | — | — | — | 294 |
| Messengers and cleaners— | | | | | | |
| 1914–15 ... ... | — | — | — | — | — | 307 |
| 1922–23 ... ... | — | — | — | — | — | 552 |
| Total— | | | | | | |
| 1914–15 ... | 174 | 75 | 614 | 258 | 395 | 1,878 |
| 1922–23 ... | 359 | 108 | 869 | 258 | 1,674 | 4,114 |

* Excluding Medal Branch—see below.

† Including 133 for the Civil Department of Barrack Construction, which has since been abolished.

Note.—The 1914–15 Staff for Aviation (total, 16) is not included, as it is now represented by the Air Ministry.

# APPENDIX (E).

## Ordnance and National Factories.

The Ordnance Factories are situated at Woolwich, Enfield and Waltham, and the total staff employed at the present time compared with pre-war is as follows :–

| | 1914. | 1921. |
|---|---|---|
| Woolwich ... ... ... | 10,144 | 9,898 |
| Enfield ... ... ... ... | 2,586 | 1,675 |
| Waltham ... ... ... | ... | 451 |
| Total ... ... | 12,730 | 12,024 |

The industrial staffs at the factories were working full time in 1914, but are now employed only five weeks out of six and the present staff represents 10,581 full time workers.

The staff required at the factories is based upon (*a*) the Peace requirements of the Forces, and (*b*) the nucleus necessary to enable rapid expansion in the event of war. The nucleus staff is considered to be about 8,000 at Woolwich; but a Committee has recently been appointed to go into this question.

The amounts allocated to the Ordnance Factories to be expended during the current year and in future years are as follows :—

Navy—

| | Amounts allocated to Ordnance Factories to be expended in— | |
|---|---|---|
| | 1921/22. | Future Years. |
| | £ | £ |
| Guns ... ... | 138,000 | 15,000 |
| Ammunition ... | 724,000 | 100,000 |
| Torpedoes and Mines | 134,000 | 104,000 |
| Small Arms, &c. ... | 12,000 | 2,000 |
| Cordite ... ... | 126,000 | 20,000 |
| Miscellaneous ... | 134,000 | ... |
| General Services ... | 50,000 | ... |
| Total ... ... | 1,318,000 | 241,000 |

Army—

| | Amounts allocated to Ordnance Factories to be expended in— | |
|---|---|---|
| | 1921/22. | Future Years. |
| | £ | £ |
| Inland Water Transport ... ... | ... | ... |
| Mechanical Transport ... ... | 80,000 | 8,000 |
| General Stores ... | 20,000 | ... |
| Technical Establishments ... ... | 249,000 | 18,000 |
| Warlike Stores ... | 1,956,000 | 451,000 |
| Engineer Stores ... | 30,000 | 12,000 |
| Railway Stores ... | ... | ... |
| Medals, Plaques, &c. | 419,000 | ... |
| Special Irish Expenditure ... ... | 47,000 | ... |
| General Services ... | 334,000 | ... |
| Total ... ... | 3,135,000 | 489,000 |
| Air Force ... ... ... | 76,000 | ... |
| Other Government Departments and Colonies | 669,000 | ... |
| Alternative Work* ... | 837,000 | 400,000 |
| Grand Total ... | 6,035,000 | 1,130,000 |

These allocations from the Estimates do not necessarily represent orders placed at the factories, and, in fact, orders amounting to £900,000 for the current year have not yet been placed. Further, the expenditure under the separate headings may be varied to meet altered circumstances.

The total estimated expenditure at Ordnance Factories for the current year is as follows :—

| | £ |
|---|---|
| Woolwich ... ... ... ... | 4,602,000 |
| Enfield ... ... ... ... | 512,000 |
| Waltham ... ... ... ... | 125,000 |
| Total ... ... ... ... | 5,239,000 |

The expenditure at Woolwich includes £617,000, representing part of the cost of 100 locomotives now undergoing construction at an estimated cost of £1,600,000. The amount spent on these locomotives prior to the 31st March, 1921, was £583,000, £617,000 will be spent during the current year and the remaining

* Mainly locomotives.

£400,000 during 1922/23. The estimated loss on the sale of these locomotives is £900,000.

The number of locomotives completed and in storage at the present time is thirteen, and twelve others are complete except for tenders. In addition fifty-two boilers are finished complete with fittings, all the wheels required are cast, and all material for frames, motions, axles, &c., have been supplied.

Enfield is mainly engaged on overhauling rifles, machine guns for reserve and manufacturing revolvers for the Army.

The value of the orders placed at Waltham is only £5,000, and the remaining expenditure is to maintain the nucleus staff.

*National Factories.*

The staff employed at National Factories has been reduced from 2,316 on the 1st April, 1921, to 302, made up as follows :—

| —— | April 1, 1921. | At present. | Remarks. |
|---|---|---|---|
| Acton ... ... | 77 | — | Factory now closed. |
| Gretna ... ... | 563 | — | ,, ,, |
| Hereford ... | 296 | 91 | Staff may be reduced to fifty shortly. |
| Lancaster ... | 757 | — | Factory now closed. |
| Queen's Ferry ... | 366 | 16 | Staff working electricity power station and cost borne by Chester Corporation. |
| Sutton's Oak ... | 11 | 14 | Staff may be increased by centralisation of existing, and erection of new, poison gas plant. |
| Swindon ... | 93 | 74 | Factory will probably be closed and available for disposal before the end of the year. |
| Watford ... | 141 | 96 | Ditto. |
| Birtley ... ... | 11 | 10 | Ditto. |
| Blackpole ... | 1 | 3 | Ditto. |
| Total ... | 2,316 | 302 | |

It is anticipated that the staff employed at National Factories will be reduced to approximately 120 by the 31st December, 1921.

# APPENDIX (F).

## Army.

### Mechanical Transport.

| — | At Home. | | | Abroad. | | | Total. | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1914. | 1922–23. | | 1914. | 1922–23. | | 1914. | 1922–23. | | |
| | | Normal Establishment. | Additional Vehicles, including Maintenance and Mobilisation Reserves. | | Normal Establishment. | Additional Vehicles, including Maintenance and Mobilisation Reserves. | | Normal Establishment. | Additional Vehicles, including Maintenance and Mobilisation Reserves. | Total. |
| Lorries, 3-ton and 30-cwt. | 124 | 765 | 589 | — | 306 | 402 | 124 | 1,071 | 991 | 2,062 |
| Tractors and tractor trucks. | 266 | — | 189 | 29 | — | 21 | 295 | — | 210 | 210 |
| Technical lorries ... | — | 169 | 80 | — | 19 | 34 | — | 188 | 114 | 302 |
| Workshop and store lorries. | — | 43 | 172 | — | 55 | 64 | — | 98 | 236 | 334 |
| Armoured cars ... | — | 59 | 126 | — | 40 | 54 | — | 99 | 180 | 279 |
| Motor cars ... ... | 42 | 90 | 313 | 3 | 182 | 161 | 45 | 272 | 474 | 746 |
| „ vans ... ... | — | 281 | 1,281 | — | 245 | 534 | — | 526 | 1,815 | 2,341 |
| „ ambulances ... | 13 | 107 | 423 | 2 | 194 | 194 | 15 | 301 | 617 | 918 |
| Total ... ... | 445 | 1,541 | 3,173 | 34 | 1,041 | 1,464 | 479 | 2,555 | 4,637 | 7,192 |
| Motor cycles ... | 23 | 611 | 1,064 | 1 | 318 | 422 | 24 | 929 | 1,486 | 2,415 |

## Chapter III.

## AIR ESTIMATES 1922/23.

The question of the retention of a separate Air Ministry, and also the question of a Ministry of Defence, are discussed in the Introductory remarks on the fighting Services, and the criticism of the Estimates which follows is based on the assumption that the Air Ministry will not be absorbed by the two older Services. We indicate economies which we think might be realised even if the recommendation as to a Ministry of Defence is not adopted; but we consider that further economies depend upon one co-ordinating authority being responsible for the three Services.

2. The Outline Estimates for 1922/23 compare with the Estimates for 1921/22 as follows :—

| | 1921/22. | 1922/23. |
|---|---|---|
| | £ | £ |
| Gross Estimates ... ... | 16,367,867 | 13,317,100 |
| Add— | | |
| Middle East ... ... | 1,081,000 | 1,720,700 |
| War liabilities ... ... | 1,585,000 | 504,900 |
| Total ... ... | 19,033,867 | 15,542,700 |
| Appropriations-in-aid ... | 622,400 | 2,585,400 |
| Net total ... ... | 18,411,467 | 12,957,300 |

A comparison with the amount spent in pre-war years on the Royal Naval Air Service and the Royal Flying Corps is somewhat difficult to give, and in any event it would be of little or no value having regard to the enormous development in the use of aircraft.

Details of the Estimates are set out in Appendix (A).

The Air Ministry divide their expenditure in the following way :—

| | 1922/23. |
|---|---|
| | £ |
| Active Service Squadrons ... ... | 3,511,000 |
| Other Establishments ... ... ... | 7,912,000 |
| Capital and miscellaneous expenditure including Supply and Research and Civil Aviation ... ... ... ... | 4,944,000 |
| | 16,367,000 |
| Deduct expenditure in India ... ... | 825,000 |
| | 15,542,000 |

It will be seen that the expenditure on Active Service Squadrons is only 21 per cent. of the total expenditure.

3. The Estimates of the Air Force are not built up to provide for a specific Force to meet more or less definite liabilities, as in the case of the " One-Power Standard " of the Navy. At present the Air Force has exercised no direct national responsibilities. It has to meet the requirements of the Navy and the Army for aircraft and personnel for co-operation with the fleet or troops in the field, and it endeavours to keep a reserve available for emergencies, and equipment for training. The Cabinet have approved a strength from time to time, and the last authorised increase, viz., the creation of five Reserve Squadrons in July, 1920, was sanctioned in the belief that great reductions might be effected thereby in other Services.

In the Estimates for 1922/23 the Active Service Squadrons* are allotted as follows:—

| | |
|---|---|
| United Kingdom— | |
| Co-operation with Navy ... ... ... | 5 |
| Co-operation with Army ... ... ... | 3 |
| Communications and Refresher Courses ... | 1 |
| Reserve ... ... ... ... ... ... | 3 |
| Mediterranean— | |
| Co-operation with Navy ... ... ... | 1½ |
| Egypt and Palestine ... ... ... ... | 5 |
| Mesopotamia ... ... ... ... ... ... | 8 |
| India ... ... ... ... ... ... ... | 6 |
| Total ... ... ... ... ... | 32½ |

The Squadrons in Iidia are not a charge upon the Exchequer but upon India. Those in Mesopotamia are taking over the work now performed by the Army, and, as we have already stated, this transfer from Army to Air Force is estimated to result in a saving in 1922/23 of £14,000,000. The cost is met by an Appropriation-in-aid from the Middle East Vote, but is still a charge on the Taxpayer.

We have continually before us the view of the Cabinet that no great war need be anticipated for at least ten years, and in these circumstances suggest that the question of a considerable reduction in the number of Squadrons should be considered. We recognise that a sufficient nucleus must be retained for training personnel, and, further, that the germ of co-operation with the other two Services must be kept alive. We consider, however, that all expenditure beyond this minimum should be eliminated unless the Service requiring a further allotment of Air forces for co-operation with it can show that such allotment will result in savings in other directions.

For 1922/23 six and a half Squadrons are shown as working in co-operation with the Navy, and three in co-operation with the Army in the United Kingdom, and we feel that, having regard to the circumstances referred to above, these Squadrons should be reduced in number. We suggest they should be reduced to—

1 Squadron in co-operation with the Navy in the United Kingdom,
1 Squadron in co-operation with the Navy in the Mediterranean,
1 Squadron in co-operation with the Army in the United Kingdom,

which would give a saving of six and a half Squadrons.

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* A Squadron is usually twelve machines, with twelve machines in reserve in the case of Home Service Squadrons and twenty-four in reserve in the case of Squadrons abroad.

If the Navy and the Army require further Air Units we feel that they should be able to show reductions in their own provisions which would justify the supply of these Units.

There are five Squadrons in Egypt and Palestine working in co-operation with the Army. It has not been shown to us that proper allowance has been made for the existence of these Squadrons in fixing the force necessary for the Garrisons in Egypt. In these circumstances we recommend that the question of reducing the number of Squadrons to three should be considered, unless greater economies can be effected in the Army expenditure by their retention. If the Squadrons in Egypt are reduced to three, we suggest that a fair proportion of these three should be allocated to the Air Force for use in Trans-Jordania. These suggestions would reduce the total number of Squadrons in the Air Force from thirty-two and a half to twenty-four, and, including indirect expenditure on administration, training, reserves, &c., would involve a saving of over £2,500,000 per annum.

Apart from these general observations on the strength of the Air Force, we have considered each Vote in detail.

*Vote A : Personnel.*

4. Before dealing with the various estimates of cost it may be well to refer to the personnel of the Air Force. The establishment for 1922/23 is shown as follows :—

| | |
|---|---|
| Officers ... ... ... ... ... | 3,091 |
| Other ranks ... ... ... ... | 27,070 |
| Total ... ... ... ... | 30,161 |

The numbers in this force attached to the Air Force abroad, or Operational Units at home, amount to—

| | |
|---|---|
| Officers ... ... ... ... ... | 1,258 |
| Other ranks ... ... ... ... | 9,332 |
| Total ... ... ... ... | 10,590 |

or 35 per cent. of the total personnel. So that the Air Force to-day has for each man abroad or attached to Operational Units at home, practically two men engaged in training, under training, or in administrative services of various kinds.

*Training and Education.*

5. The numbers engaged in giving or receiving instruction are particularly striking as the following figures show :—

| | Officers. | Men. | Total. |
|---|---|---|---|
| Engaged in connection with education and training ... | 532 | 5,669 | 6,201 |
| Under training ... ... | 466 | 6,035 | 6,501 |

The figures are exclusive of civilian teaching staff (51 full time and a number part time).

This appears to be a very heavy establishment of training personnel in comparison to the numbers under training

The education given at Cranwell to the Cadets, apart from technical training, is similar in most respects to that given to the Cadets at Sandhurst and Woolwich; but the total cost, namely £850 per annum, is very much higher, due to the expensive technical training given. As in the case of Dartmouth, Sandhurst and Woolwich, where the cost is £462, £373 and £366 respectively, the fees charged to the parents of Cadets are out of all proportion to the cost to the State, and as in the case of those Colleges, we feel that a considerable increase in the fees should be imposed. We suggest that the fees should be raised from £75 per annum to £200 per annum with a reduction of 50 per cent. in the case of sons of officers of H.M. Forces, leaving also, as in the case of the other Services, a few places for scholarships or bursaries to boys whose parents are of slender means and who show marked ability by some prescribed test. This increase would still impose a great cost on the State for the education of a Cadet. The suggested fees are based on an assumption that the cost, apart from technical training, will be reduced by at least £100.

*Vote* 1: *Pay*

| | Gross Estimate. | Net Estimate. |
|---|---|---|
| | £ | £ |
| 1921/22 ... ... | 4,899,000 | 4,794,000 |
| 1922/23 ... ... | 4,930,000 | 4,101,300 |
| | Inc. 21,000 | Dec. 692,700 |

6. The apparent reduction in net estimates is due to repayments from Middle East Vote, but is still a charge on the Taxpayer.

We deal with the rates of pay of all three Services in a later report, and it is only necessary at this stage to refer to the additional pay which Air Officers receive as compared with officers of equivalent rank in the Army. The difference, which is presumably for flying risk, may be stated roughly as varying from 5*s*. to 10*s*. per day—probably represents roughly from £150,000 to £200,000 per annum : and in view of the immense strides which aviation has made it is doubted whether this large difference on grounds of " risk " can be justified. Medical Officers even in the Air Force are paid slightly higher rates than Medical Officers in the Army, on the ground that they may have to fly. Further, the pensions to dependents are a form of insurance, and we suggest an investigation by actuarial and insurance experts into this question of extra pay for flying risk and the grades to which it should be given.

The cost of recruiting for the Air Force appears to us to be very high, namely, £26,350 for next year, and the matter has been fully discussed with the Chief of the Air Staff. As a consequence the Air Ministry have seen their way to reduce their estimate of the cost of recruiting to £14,010, which is, however, equivalent to £7 per head per accepted Airman, and still seems high.

*Vote* 2 : *Rations, Clothing, &c.*

| | Gross Estimate. | Net Estimate. |
|---|---|---|
| | £ | £ |
| 1921/22 ... ... | 3,143,000 | 3,105,000 |
| 1922/23 ... ... | 2,465,000 | 2,059,000 |
| Reduction ... | 678,000 | 1,046,000 |

7. The charges for provisions and transport account for a large percentage of this Vote. The provisions are mainly obtained through the Army so as to obtain the benefit of the Army's larger contracts. Clothing costs something over £200,000 per annum. The present arrangements as to clothing provide for the issue of a complete free kit on joining and an upkeep allowance of 8*d*. per day, equal to £12 3*s*. 4*d*. per annum. As in the case of the Navy and Army, we think this should be reduced by one-third and a lower standard of upkeep accepted. All civilians have had to make their clothes last longer, and we see no reason why uniformed men should not.

We desire also to call attention to the Travelling Concessions, whereby, as in the case of the other Fighting Services, officers and men of the Air Force obtain return tickets at a single fare, the difference being paid by the Air Ministry. There seems to us to be no sufficient reason for the continuance of this concession, which was not given by the Government to the Fighting Services before the War.

*Vote* 3 : *Technical Equipment.*

8. One of the large items of Expenditure in the Air Ministry Votes is for technical equipment. The estimate for 1922/23 compared with that for 1921/22 is as under :—

| | Gross Estimate. | Net Estimate. |
|---|---|---|
| | £ | £ |
| 1921/22 ... ... | 4,058,000 | 3,758,000 |
| 1922/23 ... ... | 2,383,500 | 1,352,000 |
| Reduction ... | 1,674,500 | 2,406,000 |

The large difference between the gross and net estimates for 1922/23 is accounted for by Appropriations-in-Aid of upwards of £1,000,000, mainly repayments in respect of operations in India

at the cost of that country, and in Mesopotamia at the cost of the taxpayer. The reduction of the gross estimates is due to the reduction of reserve stocks, and to the estimated life of an aeroplane being slightly increased. The latter, if justifiable, is a real economy; but the reduction of stocks with which we thoroughly concur, will hasten the day when stocks have to be replaced, and to that extent the annual estimates of Departments do not reveal the true cost.

We have given particular attention to the expenditure under this head. The estimate for 1922/23 provides for the following :—

92 new machines.

65 machines to be converted.

361 machines to be reconditioned by contractors.

184 machines to be reconditioned in repair depôts.

On present authorised number of Squadrons, and after allowing for 100 per cent. margin for Squadrons at home and 200 per cent. margin for Squadrons abroad, the Air Ministry states that an establishment of 1,934 machines is necessary (see Appendix (B)); but if the number of Squadrons is reduced the establishment will be capable of a corresponding reduction.

The same Appendix shows the number of machines in stock, and it appears that there will be in stock on the 1st April next 1,924 machines in excess of establishment.

We feel that the expenditure on conversion and reconditioning of old machines should be strictly limited to cases where satisfactory machines of a particular type required, or some other reasonably suitable type, are not available. We suggest for consideration the reduction of expenditure under this Vote by £1,000,000.

The Air Ministry have also indicated their intention to ask for authority to spend an additional £500,000 on machines, stores, &c., over and above the amount provided in the Estimate for Technical Equipment. This additional equipment is only required in the event of a serious war; and having regard to the pronouncement as to the unlikelihood of immediate war, and the arguments set out above, we feel that this expenditure should not be authorised.

Included under the heading of Technical Equipment is a sum of £352,500 in respect of mechanical and other transport. The main items making up this total are the following :—

| | £ |
|---|---|
| Purchase of armoured cars for use in Trans-Jordania ... ... ... ... | 50,000 |
| Repairs and overhaul of 200 vehicles by makers thereof ... ... ... ... | 95,000 |
| Spares and accessories including tyres, tubes, &c. ... ... ... ... | 142,000 |

With regard to the estimated expenditure of £95,000 for the overhaul of 200 vehicles by the makers, we are by no means satisfied that an average cost of £475 is justified. Obviously, if the number of the Squadrons can be reduced, a reduction in motor transport will be possible, and some of these repairs can be postponed if not abandoned.

These items indicate where a possible economy could be made if work of this kind for the three Services could be centralised under one control. The Air Force proposes to maintain a motor repair shop at Shrewsbury to be responsible for keeping 1,811 vehicles of different types in repair, and also to contract for the overhaul of 200 vehicles at a cost of £95,000 which are said to be beyond the present capacity of this depôt. The annual charge for personnel and maintenance and upkeep of buildings is nearly £100,000, of which 47 per cent. is said to be expended on training drivers and mechanics. The Navy and Army also have training establishments and also let work out to contract. Only by co-ordination can the full economies from stardardisation, centralisation of training, elimination of duplicate reserves of machines and spare parts and centralised purchases be secured.

We have given attention to the position with regard to Motor Transport, and attach a statement (Appendix (C)) showing the Normal Establishment asked for by the Air Force at home and abroad, which, it will be seen, amounts to 1,761 motor vehicles. They have in addition to full establishment—which includes in many cases provision for reserve—a total of 1,436 vehicles. These are mainly Touring Cars, of which they have 164 surplus to establishment; Landaulettes, of which they have 34 surplus; and Lorries, of which they have practically 1,000 surplus.

We consider that the whole of these additional vehicles should be surrendered. The same remark would apply to Trailers used for Motor Transport, of which there is shown an establishment of 493, with 251 additional vehicles. The position with regard to Motor Cycles is similar. There is an establishment of 512 Cycles and 316 Side-Cars, with a surplus of 195 Cycles and 248 Side-Cars, which also should be surrendered.

It appears to us that the establishment for Motor Transport is throughout on an unnecessary scale, and that without difficulty the Air Force should be able to manage with a Normal Establishment considerably below that shown in the Appendix. For example, we consider that the establishment of Landaulettes should not exceed 2, instead of 18 as proposed, and that with the present number of Squadrons the number of Touring Cars should not exceed 120, as compared with a proposed establishment of 142, with 164 additional vehicles; and if the Squadrons are further reduced these numbers should be cut down proportionately. We note that the Touring Cars only average 360 miles a month, which appears to indicate an excessive establishment. With regard to Lorries and Trailers, we are of opinion

that their use should be fully investigated, as it appears to us that the numbers on the establishment might be much reduced. The mere fact of having an excess of vehicles either serviceable or unserviceable, encourages wasteful use and unnecessary expenditure on repairs.

The Air Ministry propose to spend £50,000 on the purchase of armoured cars for Trans-Jordania. Both the Navy and Army used amoured cars during the war, and we consider that if at all practicable cars which were used in the war should be adapted for use in Trans-Jordania; it ought not to be necessary to buy new ones.

*Vote 4: Works, Buildings and Lands.*

9. Like the two Senior Services, the Air Force asks for considerable sums for works and buildings. The amount proposed to be spent on works, buildings and lands in 1922/23 compared with the present financial year is as follows:—

| | Gross Estimate. | Net Estimate. |
|---|---|---|
| | £ | £ |
| 1921/22 ... ... | 3,048,000 | 3,018,000 |
| 1922/23 ... ... | 2,431,000 | 2,166,000 |
| Reduction | 617,000 | 852,000 |

Of the total amount of the estimate only £600,000 represents works which have not been commenced or in respect of which no commitments have been entered into, namely:—

| | £ |
|---|---|
| Reconditioning ... ... ... | 120,000 |
| Recreation facilities ... ... ... | 10,000 |
| Married quarters ... ... ... | 200,000 |
| Miscellaneous services ... ... | 200,000 |

In the present financial circumstances we are of the opinion that any sanction which may have been given for these works should be cancelled, and that the case for any new commitments under this head should be fully reviewed, as no serious harm would accrue if the bulk of these items were postponed for a few years.

Apart from these new works, there are a large number of cases of continuation expenditure such as permanent roads, sick quarters, improvements to regimental accommodation, recreational facilities, &c., and we think that every case of this kind should be reviewed and that the total Estimate should be reduced by £1,000,000.

The largest work, which has already been commenced, raises an important question of principle. It is the provision of build-

ings at Halton to accommodate 2,000 boys for training as air mechanics, the total expenditure on which will reach some £720,000. Accommodation exists at Cranwell, where it is intended to train a further 1,000 boys, making a total of 3,000 boys under training.

Under the present system the boys receive three years' training and then serve seven years with the Colours and two years in the Reserve. The cost of training each of these boys for a period of three years is £711, so that an amortisation charge of £129 per annum or 7*s*. per day during the seven years of active service has to be added to the pay of the mechanics of the Air Force when arriving at their cost to the State. With the reduction in the strength of the Force, there will be a corresponding reduction in the number of boys to be trained, even if the principle of training boys as mechanics is adhered to. There is already at Cranwell accommodation which actually takes 1,300 boys, and in the present financial circumstances we feel that the expenditure at Halton should be very fully reviewed so as to see what use can be made of the money already spent, and that, without very full investigation as to the possibility of using other buildings or temporary accommodation, no further expenditure on this work should be incurred.

If reductions are also made in the personnel of the Navy and the Army the possibility of using some of the accommodation which these services have for training mechanics, or existing school buildings to be vacated, should also be explored.

The cost to the country of boys trained by the Air Force during their time as mechanics may be put as under :—

| | Per diem. | | | |
|---|---|---|---|---|
| | *s.* | *d.* | *s.* | *d.* |
| Pay ... ... ... | 4 | 0 to | 4 | 10 |
| Amortisation of cost of training ... ... | 7 | 1 | 7 | 1 |
| Good conduct pay (say)... | | 3 | | 3 |
| Pension rights ... ... | 1 | 4 | 1 | 4 |
| Clothing ... ... ... | | 8 | | 8 |
| Lodging, fuel and light ... | | 9 | | 9 |
| Rations ... ... ... | 2 | 5 | 2 | 5 |
| | 16 | 6 to | 17 | 4 for 7 days a week |

and possibly non-substantive pay and marriage allowance in addition, representing a further 5*s*. 8*d*. a day. This cost of approximately £6 a week for a single man and £8 a week for a married man is altogether excessive. The alternative policy of recruiting tradesman personnel from engineering shops throughout the country commends itself to us, and we recommend its adoption.

*Vote 5 : Air Ministry.*

10. The following is a comparison of the estimate for 1922/23 with that for the current financial year :—

| | Net Estimate. £ |
|---|---|
| 1921/22 ... ... ... ... | 915,467 |
| 1922/23 ... ... ... ... | 825,000 |
| Reduction ... | 90,467 |

The Air Service is a new service, and is organised on different lines from those adopted by the War Office, as control is more centralised.

We recognise that it is a highly technical Service, and it is not reasonable to expect that during the few years it has been in existence a final and stable organisation can have been evolved. An approximate appropriation of the staff of the Air Ministry for the next year was submitted to us as follows :—

| | |
|---|---|
| Personnel concerned with the administration of the Air Force ... ... ... ... ... ... | 1,411 |
| Personnel engaged in research and inspection on behalf of the Air Force ... ... ... ... | 277 |
| Personnel concerned with Civil Aviation and Meteorology ... ... ... ... | 362 |
| | 2,050 |

It is understood that the reorganisation of the Air Ministry is under the consideration of the Secretary of State with a view to effecting further economies than those shown in the sketch estimates submitted to the Committee. We feel that, having regard to the suggested reduction in the strength of the Force, and the suggested reduction in the monies to be available for experiment and research, and civil aviation referred to hereafter, considerable reductions in the numbers of personnel in the Air Ministry should be possible, and we are of opinion that the provision of £825,000 asked for should be capable of a cut to £600,000.

*Vote 8 : Civil Aviation.*

11. The amount provided for 1922/23, compared with 1921/22, is as follows : —

| | £ |
|---|---|
| 1921/22 ... ... ... ... ... | 880,000 |
| 1922/23 ... ... ... ... ... | 700,000 |
| Reduction ... ... ... ... | 180,000 |

This expenditure includes certain meteorological expenses, but is exclusive of £107,500 expenditure at Headquarters, partly in connection with Civil Aviation and partly in connection with Meteorology.

Civil Aviation has not made the progress which its supporters anticipated, and, broadly speaking, it may be stated that at the present time there is no civilian flying between points in this country, the only regular services being the cross-Channel services, which are heavily subsidised either by the French Government or the British Government, the fares charged to passengers being very considerably below the economic level. There are certain commitments, representing subsidies of £200,000 per annum for the next three years, and certain expenditure in connection with Meteorology which must be incurred; but at the present time the amount spent on Meteorology at Headquarters and under Vote 8 amounts to more than £150,000 a year, which appears to be capable of some reduction. If the contribution towards Civil Aviation be limited to the present commitments and a reduction made in the cost of Meteorology, we feel that the amount spent under these headings could be reduced by £400,000.

If the Air Force require a more complete and extended Meteorological Service, we consider it should be provided for on the votes of the Ministry other than "Civil Aviation."

*Auxiliary (Territorial) Air Force.*

12. A proposal has been put forward for the formation of an Auxiliary (Territorial) Air Force. The amount originally asked for was £360,000 for 1922/23, with a recurring expenditure of £160,000 per annum; but it is understood that the Air Ministry feel that this force could be commenced with an expenditure of £167,000 and a recurring expenditure of £139,000.

The desirability of encouraging the art of flying with a view to the formation of a Defence Force is recognised; but before any expenditure of this kind is sanctioned, we think that the whole question of the defence of the country should be reviewed. The War Office propose to spend £5,750,000 for a Territorial Force, and this force is primarily intended for defence against invasion. If the Auxiliary Air Force has the same object in view, we feel that, having regard to the unlikelihood of a great war, the country cannot afford a duplication of services of this kind. Therefore, if the Auxiliary Air Force is formed, it should be possible to make savings on the amount suggested for the Territorial Army. Here we are confronted with the dual and unco-ordinated plans of two services.

*Vote 9 : Supply and Research.*

13. The estimates for 1922/23 compare with those for the current year as follows :—

| | Gross. | Net. |
|---|---|---|
| | £ | £ |
| 1921/22 ... ... ... | 1,835,000 | 1,706,000 |
| 1922/23 ... ... ... | 1,511,000 | 1,494,000 |
| Reduction ... ... | 324,000 | 212,000 |

This reduction, however, is mainly accounted for because war liabilities have been liquidated, and the removal from charge of the Airship Factory at Cardington gives a reduction of cost; so that the real saving is only about £40,000.

In dealing with each of the Services, we have commented upon the extraordinary activity in the Department of Experiment and Research. There is probably more justification for continuance of experiment and research in connection with the Air Force than in connection with the older Services, but we feel that a case for immediate hurry has not been made out, and that some reduction in these activities should be possible without permanently injuring the development of the Service. This expenditure would be more readily justified if the expenditure on producing machines in bulk under the Vote for Technical Equipment is severely curtailed. At the present time, the item of Experiment and Research represents over 10 per cent. of the total cost of the Ministry, and these figures are exclusive of the staff in the Air Ministry employed on this work, which numbers 277.

Included under the heading of Research is the cost of the Royal Aircraft Establishment at Farnborough, which is estimated to cost in 1922/23 £360,000, after allowing for the value of the work produced for the Air Force.

In addition to Farnborough, the Royal Air Force have an Instrument Design Establishment at Biggin Hill. It is now proposed to amalgamate the Biggin Hill establishment with Farnborough, thus effecting a saving of £37,000 not taken into account when the sketch estimates were prepared. It is difficult for us to indicate any particular branch of activity in connection with research and experiment which should be discontinued; but we feel that in the present circumstances a reduction should be made, and suggest that the limit of expenditure under this heading should be £1,000,000 for 1922/23, inclusive of all costs incurred at the Ministry or elsewhere, it being left to the Air Ministry to apportion this sum in the manner which is likely to be productive of the best results.

## SUMMARY OF CONCLUSIONS.

**As a result of our consideration, we are of opinion:—**

**(1.) That the best way of obtaining economies which may be looked for from the full use of air-power in land and sea operations, and also economies in administrative, medical and educational Services, is by the creation of a Ministry of Defence as a co-ordinating authority.**

**(2.) That the air units allotted to the Navy and Army should be reduced by 8½ Squadrons in accordance with our recommendations.**

(3.) That although we have no pre-war figure with which to compare the staffing of the Air Ministry and its establishments, considerable room for economy exists, both in administration and in policy. We have given a few examples in our Report, and, in particular, we recommend that the scheme of training boys at Halton should be abandoned.

(4.) That, apart from the reductions in machines—which follows upon our proposed reduction of the Air force allotted to the Navy and Army—the provision in the Estimates for the re-conditioning of old machines and the purchase of new ones is excessive.

(5.) That in all the circumstances of the case, the Air Force Estimates should be reduced from £15,500,000 to £10,000,000.

In this recommendation no account is taken of any reduction in pay and allowances which the Government may decide to make, and no account is taken of any abnormal increase in the Non-Effective Vote, caused by a reduction of personnel transferred to the Retired List, with both of which items we deal separately in a later Report.

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## APPENDIX (A).

### Comparison of Air Estimates.

| Votes. | 1921–22. | | | 1922–23 | | |
|---|---|---|---|---|---|---|
| | Gross. | Appropriations in Aid. | Net. | Gross. | Appropriations in Aid. | Total. |
| | £ | £ | £ | £ | £ | £ |
| 1. Pay ... ... | 4,899,000 | 105,000 | 4,794,000 | 4,930,000 | 828,700 | 4,101,300 |
| 2. Rations, Clothing, &c. | 3,143,000 | 38,000 | 3,105,000 | 2,465,000 | 406,000 | 2,059,000 |
| 3. Technical Equipment | 4,058,000 | 300,000 | 3,758,000 | 2,383,500 | 1,031,500 | 1,352,000 |
| 4. Works Services. | 3,048,000 | 30,000 | 3,018,000 | 2,431,000 | 265,000 | 2,166,000 |
| 5. Air Ministry | 916,467 | 1,000 | 915,467 | 825,000 | — | 825,000 |
| 6. Miscellaneous | 129,000 | 500 | 129,000 | 95,500 | 500 | 95,000 |
| 7. Non-Effectives | 106,900 | 900 | 106,000 | 165,700 | 700 | 165,000 |
| 8. Civil Aviation | 898,000 | 18,000 | 880,000 | 736,000 | 36,000 | 700,000 |
| 9. Supply and Research. | 1,835,000 | 129,000 | 1,706,000 | 1,511,000 | 17,000 | 1,494,000 |
| Total ... | 19,033,367 | 622,400 | 18,411 467 | 15,542,700 | 2,585,400 | 12,957,300 |

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# APPENDIX (B).

STATEMENT showing Establishment and Stock of Machines.

| — | Authorised Establishments. | | Stored in Excess of Establishments. | | Total Stock. |
|---|---|---|---|---|---|
| | Active Service. | Training. | | Machines in Col. 4 said to require re-conditioning in 1922–23. | |
| (1.) | (2.) | (3.) | (4.) | (5.) | (6.) |
| *Aeroplanes.* | | | | | |
| Snipe (B.R.2) ... ... | 96 | 39 | 397 | 60 | 532 |
| Avro 504 K. ... ... | 14 | 395 | 514 | 120 | 923 |
| Bris. Ftr. (B.R.) ... ... | 360 | 227 | 503 | 120 | 1,090 |
| D.H.9.A. (Lib.) ... ... | 271 | 124 | 268 | 150 | 663 |
| D.H.10 (Lib.) ... ... | 60 | 7 | 12 | 25 | 79 |
| V. Vimy ... ... ... | — | 14 | 71 | 10 | 85 |
| V. Ambulance ... ... | 3 | — | — | — | 3 |
| V. Vernon ... ... ... | 36 | — | — | — | (on order) Ditto 36 |
| Totals ... ... | 840 ~~ 806 1,646 | | 1,765 | 485 | 3,411 |
| *Seaplanes, Flying Boats and Ship Aeroplanes.* | | | | | |
| F.2.A. and F.5 ... ... | 45 | 24 | 40 | 30 | 109 |
| Fairey 3.C.... ... ... | 12 | — | 10 | — | 22 |
| Fairey 3.D.... ... ... | 42 | 12 | — | — | 48 |
| W. Walrus... ... ... | 24 | 24 | — | — | 26 |
| Cuckoo (Viper 1) ... ... | 24 | 6 | 15 | — | 45 |
| Panther (B.R.1) ... ... | 36 | 3 | 51 | 15 | 90 |
| Ship Camel (B.R.11) ... | 36 | — | 43 | 15 | 79 |
| Totals ... ... | 219 ~~ 69 288 | | 159 | 60 | 419 |
| Grand Totals ... | 1,934 | | 1,924 | 545 | 3,830 |

# APPENDIX (C).

## Air Force.

### Mechanical Transport.

| | Home. | | Abroad. | | Total. | |
|---|---|---|---|---|---|---|
| | Establishment. | Additional Vehicles. | Establishment. | Additional Vehicles. | Establishment. | Additional Vehicles. |
| Mechanically propelled vehicles— | | | | | | |
| Laudaulettes ... | 18 (3) | 29 | — | 5 | 18 | 34 |
| Touring cars ... | 79 (10) | 139 | 63 (6) | 25 | 142 | 164 |
| Motor bus ... | 3 | 1 | — | — | 3 | 1 |
| Ambulances ... | 58 (7) | 26 | 26 (2) | 3 reqd. | 84 | 23 |
| Lorries— | | | | | | |
| Light tenders... | 280 (40) | 287 | 228 (16) | 86 | 508 | 373 |
| Heavy „ ... | 363 (63) | 318 | 262 (18) | 111 | 625 | 429 |
| Dessert „ ... | — | — | 30 | 30 reqd. | 30 | 30 reqd. |
| Float and other lorries. | 44 (5) | 88 | 10 (2) | 1 reqd. | 54 | 87 |
| Steam wagons... | 23 (3) | 61 | — | — | 23 | 61 |
| Workshop lorries | 29 (9) | 107 | 44 (4) | 75 | 73 | 182 |
| Fire lorries ... | 43 (4) | 16 reqd. | 22 (2) | 22 reqd. | 65 | 38 reqd. |
| Petrol „ ... | 6 | 1 | — | 2 | 6 | 3 |
| Winch „ ... | 12 (10) | 9 | — | — | 12 | 9 |
| Miscellaneous— | | | | | | |
| Hucks starters ... | 50 (9) | 27 | 20 (2) | 14 reqd. | 70 | 13 |
| Other vehicles ... | 41 (10) | 110 | 7 (2) | 15 | 48 | 125 |
| Total ... | 1,049 (173) | 1,187 | 712 (54) | 249 | 1,761 | 1,436 |
| Motor cycles ... | *336 (41) | 125 | 176 (14) | 70 | 512 | 195 |
| Total mechanically propelled vehicles. | 1,385 (214) | 1,312 | 888 (68) | 319 | 2,273 | 1,631 |
| Trailers— | | | | | | |
| Vehicles ... ... | 216 (53) | 220 | 277 (21) | 31 | 493 | 251 |
| Side cars... ... | 179 (25) | 244 | 137 (11) | 4 | 316 | 248 |
| Total trailers | 395 (78) | 464 | 414 (32) | 35 | 809 | 499 |

Figures in ( ) are reserves.
* Includes 124 for Instructional purposes.

## Chapter IV.

## GENERAL CONCLUSIONS TO PART I.

*Redundant Officers and Men of the Fighting Services.*

1. We cannot conclude our Report on the three Fighting Services without stating that the suggested reductions will necessarily lead to an increase of the " Non-Effective " Votes. We are of opinion that any such *abnormal* increase of the Non-Effective Votes might, in certain circumstances, be properly regarded as a special charge arising out of the war, and we propose in a subsequent Report to put forward our views on this point, not only in the case of " Non-Effective " Pay, but also in the case of such other items as War Pensions.

**Need for Immediate Action.**

**2. The reductions in the Estimates which we have put forward for the three Fighting Services can, we believe, be realised by the measures we have suggested and by the practice of the most rigid economy in the Services. But it must be obvious that, reporting as we are in the month of December, these economies can only be realised in the year commencing April next if our Report is effectively dealt with in main outline without delay.**

**The Committee has been limited in the continuity of its sittings only by the physical capacity of the staff of the Treasury—from whom it has had the most devoted service—to do the secretarial work involved.**

**We believe that if the reduction of the Estimates on the lines suggested is taken in hand by the Departments with energy, the sums we have noted can be realised or even exceeded; but if delay occurs in giving effect to such of our major suggestions as the Government may approve, the saving cannot be realised in the coming year.**

## PART II.

INTRODUCTION TO THE REPORT ON GOVERNMENT EXPENDITURE ON SOCIAL SERVICES, NAMELY, EDUCATION, HEALTH, LABOUR AND OLD AGE PENSIONS.

The Provisional Estimates submitted to the Committee of the cost of these services in 1922/23 in Great Britain amount to over £124,000,000, being nearly four times the pre-war expenditure :—

| | 1913/14, Audited Expenditure. | 1921/22, Estimate. | 1922/23, Provisional Estimate. |
|---|---|---|---|
| | £ | £ | £ |
| Education ... ... ... | 17,200,000 | 60,500,000 | 59,300,000 |
| Health ... ... ... | 5,000,000 | 29,000,000 | 27,900,000 |
| Labour ... ... ... | 900,000 | 21,500,000 | 14,500,000 |
| Old Age Pensions ... ... | 9,800,000 | 21,700,000 | 22,300,000 |
| | 32,900,000 | 132,700,000 | 124,000,000 |

Ireland has been left out of account except for the training of ex-service men which under the Government of Ireland Act, 1920, remains an Imperial charge.

2. The reductions proposed by the Departments for 1922/23 as against 1921/22 amount to £8,700,000, or 6½ per cent. Disappointing as this figure must appear, it is doubly so when the fact is noted that it is actually less than the saving which will automatically accrue from the reduction in the cost of "services arising out of the war." The services so termed in the Parliamentary Estimates are :—

(*a*.) The subsidy to private builders.
(*b*.) The cost of certain transactions in housing materials.
(*c*.) The cost of various schemes for the training, education and resettlement in business of ex-officers and ex-service men.

These services were estimated to cost £18,642,000 in 1921/22 and £8,476,000 in 1922/23, a reduction of £10,166,000, while the expiry of the Unemployed Workers Dependants Act in May 1922 produces a further reduction of over £1,400,000 in 1922/23, as compared with the current year.

The Estimates in respect of Ordinary Services for the Board of Education show an increase of £744,000 over 1921/22 and Ministry of Health £3,352,000.

It should be pointed out, however, that of the total expenditure of £87,000,000 in respect of education and health nearly £67,000,000 represents contributions towards the expenditure of local and other authorities. The bulk of these contributions is now on the basis of percentage grants, and the Departments have no effective control over a large proportion of the money for

which they ask, so that when pressed to economise they can do little more than exhort the various Authorities who are the spenders of the money and who alone have the opportunity to effect substantial economies, apart from policy.

These percentage grants raise a question which in our opinion is of the greatest importance and one which is referred to more fully at later stages.

3. The cost to the Taxpayer, exclusive of the additional burden borne by local rates, has grown from under 33 millions in 1913/14 to 124 millions in 1922/23. An analysis shows sensational increases.

| | 1913/14. | 1922/23. |
|---|---|---|
| | £ | £ |
| Grants for Elementary Education | 13,600,000 | 42,200,000 |
| Grants for Higher Education (including grants to Universities) ... ... ... ... | 2,700,000 | 12,200,000 |
| Teachers' Superannuation ... | 200,000 | 2,200,000 |
| Unemployment Insurance and Employment Exchanges (net cost) ... ... ... ... | 900,000 | 8,600,000 |
| Health Insurance—State contributions and special grants | 4,000,000 | 9,200,000 |
| Public Health Services ... ... | 200,000 | 4,200,000 |
| Board of Control ... ... | — | 700,000 |
| Housing (including private builders' subsidy) ... ... | — | 12,000,000 |
| Cost of Training, &c., ex-Service men ... ... | — | 6,500,000 |
| Old Age Pensions ... ... | 9,800,000 | 22,300,000 |
| All other items (including headquarters' administration, &c.) ... ... ... ... | 1,500,000 | 3,900,000 |
| | 32,900,000 | 124,000,000 |

The increased charge to the Taxpayer has been accompanied by great increases in the sums otherwise raised from the public for the same services :—

| | 1913/14. | 1921/22.* |
|---|---|---|
| | £ | £ |
| Expenditure borne by local rates in respect of— | | |
| Education ... ... ... | 18,200,000 | 37,400,000 |
| Public Health† ... ... | 15,600,000 | 28,000,000 |
| Housing ... ... ... | 300,000 | 1,200,000 |
| | 34,100,000 | 66,600,000 |

* Figures for 1922/23 not yet available, but will show an increase as compared with 1921/22 of £4,000,000 to £5,000,000.

† Sanitary services, hospital and other personal health services, lunacy apart from pauper lunatics.

| | 1913/14. £ | 1921/22. £ |
|---|---|---|
| Contribution from Employers and Employed Persons— | | |
| Health Insurance ... ... | 17,800,000 | 24,500,000 |
| Unemployment Insurance... | 1,700,000 | 28,400,000 |
| | 19,500,000 | 52,900,000 |
| | 53,600,000 | 119,500,000 |

**The total cost of these Social Services has risen from £86,500,000 to £243,500,000 during the period under review.**

4. Various causes have contributed to these enormous increases and are dealt with later in the appropriate chapters of the Report, but there is one factor of administration which, in our opinion, has materially affected the cost to the Taxpayer, and that is the development of the percentage grant system. This system, which is common to Education and Public Health Services, has also been extensively applied in other Departments.

Where in 1913/14 fixed or *per capita* grants were in force, they have now largely been replaced by percentage grants, while new grants introduced since that date have almost invariably been on the latter basis. The percentages vary from 20 per cent. to 75 per cent., the most frequent figure being 50 per cent.

The advantage claimed for the percentage grant system is that it provides a stimulus to authorities to improve the efficiency of their services; in fact, it is a money-spending device.

The vice of the percentage grant system is that the local authority, which alone can really practise economy in these services, loses much of its incentive to reduce expenditure, especially when the larger proportion is paid by the Taxpayer through the Exchequer. The deciding voice as to what money shall be spent is not that of the Government or the House of Commons, but that of the local authorities. The Departments are thus in great difficulties in framing estimates, for these are based on anticipations not of what the Department itself will do, but of what hundreds of local authorities may do. The weakness of divided responsibility is manifest throughout.

If the Government were to attempt to impose a real and effective check from the point of view of efficient administration as well as audit, it would result in an enormous increase in bureaucratic control. It would mean a detailed scrutiny of accounts and an examination of all new expenditure. This would tend to overload the central machine, diminish local responsibility and lead to greatly enhanced administrative cost. We do not suggest that the Local Authorities are negligent, nor do we suggest that they have not been directed to incur expenditure in conformity with a policy which, if left to themselves, they would not have incurred. We consider that the percentage grant should be abandoned in the interests of economy and be replaced by fixed

grants or by grants based on some definite unit. Even though it were necessary to maintain the charge to the Taxpayer at its present very high level, which we do not admit, the change would still, in our opinion, be very beneficial to the country by :—

(i.) Increasing the incentive to local authorities to economise.
(ii.) Restricting the growth of the demands on the Taxpayer.
(iii). Enabling staff economies to be effected at headquarters.

In the case of the grants to local authorities for housing purposes, the system adopted has gone even beyond the percentage grant at its worst. Here the local authority has lost all financial incentive to effect economy, because the annual loss in excess of a 1*d.* rate, say, 14/15ths of the total, is entirely at the cost of the Taxpayer. Here we have a vast partnership in a property. The managing partner, viz., the local authority, has absolutely no financial incentive to economy, as no saving he effects redounds to his own benefit. The Taxpayer, through the Exchequer, pays the whole excess, which is estimated at 10 millions a year for 60 years.

With these general remarks, we proceed to consider the estimates in detail.

## Chapter I.

### BOARD OF EDUCATION ESTIMATES.

The Estimates for the Board of Education are as follows :—

| | £ |
|---|---|
| 1913/14 (actual expenditure) ... | 14,369,000 |
| 1921/22 ... ... ... ... | 51,014,000 |
| 1922/23 ... ... ... ... | 50,600,000 |

It appears from estimates submitted to us that the total expenditure from taxes and rates on Education in Great Britain will in 1922/23 exceed a total of £103,000,000 :—

| | £ | £ |
|---|---|---|
| From Taxes— | | |
| Board of Education Vote ... | 50,600,000 | |
| Scottish Education Department ... ... ... | 7,570,000 | |
| Local Taxation Moneys, &c.— | | |
| England ... ... | 950,000 | |
| Scotland ... ... | 340,000 | |
| Grants to Universities and Colleges (Great Britain) | 1,120,000 | |
| Total from Taxes ... ... ... | | 60,580,000 |
| From Rates— | | |
| England and Wales ... | 38,300,000 | |
| Scotland ... ... ... | 5,000,000 | |
| Total from Rates ... ... ... | | 43,300,000 |
| Grand Total | | 103,880,000 |

Not only has the cost of Education increased enormously since 1913/14, but the Taxpayer, besides bearing his share of the increased cost, has had to shoulder a proportion of the burden which would have been borne by the Ratepayer if the grant system had not been modified between 1917 and 1919.

Out of the total Vote less than £1,000,000 is Administrative Expenditure of the Board. By far the greater part of the Vote of the Board of Education is dependent in one form or another upon expenditure incurred by Local Educational Authorities (of which there are no less than 317 in England and Wales) on a percentage grant basis, which, in our opinion, is a money-spending device, but not an economical system. The attached note on this subject from the Secretary to the Scottish Education Department, is most illuminating, and is given in Appendix (A).

The following table illustrates the change which has taken place in connection with expenditure on Education falling on Public Funds (England and Wales) :—

| Year. | Board of Education Vote. | Other Grants to L.E.A.'s (Local Taxation Grants, &c.). | Total Expenditure from Taxes. | Total Expenditure falling on Rates. | Total Net Expenditure from Taxes and Rates. |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| 1913/14 ... ... | 14,370,000 | 950,000 | 15,320,000 | 16,190,000 | 31,510,000 |
| 1914/15 ... ... | 15,100,000 | Figures not available. | | | |
| 1915/16 ... ... | 15,180,000 | 950,000 | 16,130,000 | 16,350,000 | 32,480,000 |
| 1916/17 ... ... | 14,900,000 | 950,000 | 15,850,000 | 16,290,000 | 32,140,000 |
| 1917/18 ... ... | 18,640,000 | 950,000 | 19,590,000 | 17,220,000 | 36,810,000 |
| 1918/19 ... ... | 19,380,000 | 950,000 | 20,330,000 | 21,780,000 | 42,110,000 |
| 1919/20 ... ... | 32,710,000 | 960,000 | 33,670,000 | 24,400,000 | 58,070,000 |
| 1920/21 ... ... | 45,560,000 | 950,000 | 46,510,000 | 30,570,000 | 77,080,000 |
| 1921/22 (Estimate) | 51,010,000 | 950,000 | 51,960,000 | 32,620,000 | 84,580,000 |
| 1922/23 (Provisional Estimate) | 50,600,000 | 950,000 | 51,550,000 | 38,300,000 | 89,850,000* |

* If we add the £12,910,000 for Scotch Taxes and Rates and £1,120,000 grants to Universities and Colleges, this balances with the total of £103,880,000.

We draw particular attention to the following salient points :—

*Between* 1913/14 *and* 1921/22—

The expenses chargeable to rates increased by 101 per cent.

The expenses chargeable to taxes increased by 239 per cent.

The total expenditure increased by 168 per cent.

*For every £ of total expenditure*—

In 1913/14 the Taxpayer contributed 9*s.* 9*d.* and the Ratepayer 10*s.* 3*d.*

In 1922/23 the Taxpayer will contribute 11*s.* 6*d.* and the Ratepayer 8*s.* 6*d.*

NOTE.—Scotland is not dealt with in this report, as the assistance given to Scottish Education automatically follows the assistance given to Education in England and Wales.

Apart from the change in the proportions of expenditure, the two outstanding features in considering this Estimate are :—

(1.) The increase in teaching cost.

(2.) The increase in the number of pupils receiving secondary education.

2. Details of the Board's Estimate are as follows :—

| — | Audited Expenditure 1913/14. | Estimate 1921/22. | Provisional Estimate 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Grants for elementary education ... | 11,597,000 | 36,999,000 | 36,724,000 |
| Grants for higher education ... | 2,015,000 | 8,970,000 | 9,765,000 |
| Teachers' pensions ... ... ... | 176,000 | 1,575,000 | 1,920,000 |
| Museums, &c.... ... ... ... | 162,000 | 269,000 | 211,000 |
| Administration and inspection ... | 439,000 | 963,000 | 900,000 |
| Ordinary services, gross total | 14,389,000 | 48,776,000 | 49,520,000 |
| Higher education, ex-officers and men | — | 2,248,000 | 1,090,000 |
| Gross total ... ... | 14,389,000 | 51,024,000 | 50,610 000 |
| *Deduct*— | | | |
| Appropriations-in-aid ... ... | 21,000 | 10,000 | 10,000 |
| Net total ... ... ... | 14,368,000 | 51,014,000 | 50,600,000 |

The Estimate submitted to us provides for a net decrease on the Vote of 0·8 per cent. only, but if the service arising out of the war, viz., higher education of ex-officers and men be omitted, the 1922/23 Estimate shows an *increase* of expenditure from £48,766,315 in the present year to £49,510,000 next year, *i.e.*, an increase of 1·5 per cent.

## ELEMENTARY EDUCATION.

Expenditure—

| | £ |
|---|---|
| 1913/14 ... ... ... ... | 11,597,260 |
| Estimates— | |
| 1921/22 ... ... ... ... | 36,998,713 |
| 1922/23 ... ... ... ... | 36,723,961 |

3. *Observations on the Grant System.*

Elementary Education represents over 70 per cent. of the whole estimate. The very complicated grant formula, introduced between 1917 and 1919, is explained with an illustrative example in Appendix (B). Its practical working has exhibited in a high degree the peculiar disadvantages attaching to the system of percentage grants to which we have drawn attention in the introduction to this part of the Report.

The net effect of the changes in the grant system is that the Taxpayer, through the Exchequer, is to-day paying 55 per cent. of the sums expended by local authorities on elementary education, as compared with 46 per cent. in 1913/14. If the Exchequer share were reduced to the statutory obligation of 50 per cent. the saving to the Taxpayer in 1922/23 would be over £3,000,000.

4. *Cost per Child.*

The expenditure on Elementary Education in terms of cost per child is shown in following table :—

Cost per unit of average attendance.

| —— | 1913/14. | 1919/20. | 1920/21. | 1921/22 (estimate). | 1922/23 (forecast). |
|---|---|---|---|---|---|
| | *s. d.* | *s. d.* | *s. d.* | *s. d.* | *s. d.* |
| Salaries of teachers ... | 60 10 | 120 11 | 155 1 | 166 3 | 168 0 |
| Loan charges ... ... | 11 4 | 11 11 | 11 11 | 12 0 | 12 0 |
| Special services— | | | | | |
| Schools for defective children. | 1 9 | 3 6 | 5 2 | 5 6 | 6 0 |
| Medical inspection and treatment. | 1 2 | 3 7 | 5 4 | 6 0 | 7 0 |
| Provision of meals ... | 0 7 | 0 9 | 0 10 | 1 6 | 1 6 |
| Administration ... ... | 4 9 | 7 10 | 9 10 | 11 5 | 11 0 |
| Other expenditure ... | 16 1 | 29 1 | 40 10 | 41 8 | 42 0 |
| Total ... ... | 96 6 | 177 7 | 229 0 | 244 4 | 247 6 |
| | £4 16 6 | £8 17 7 | £11 9 0 | £12 4 4 | £12 7 6 |

5. *Cost of Teaching.*

The salary bill is directly affected by each of the following factors :—

(1.) The number of children and the manner in which they are distributed among the school buildings of different sizes.
(2.) The size of classes.
(3.) The salary scales.

We suggest that economies should be effected under the above headings in the following directions :—

*(1). (a.) Raising of the Lower Age Limit.*

It has been submitted to us that when children who had not begun their school training until six years of age attain the school-leaving age they do not show any appreciable difference in their attainments or knowledge from those who went to school at an earlier age. As reduction in numbers is one effective means of reducing the cost of teaching, we recommend the raising of the lower age limit to six years. This should be made compulsory and not left to local option, as divergency of practice would lead to dissatisfaction ; moreover, we understand that outside London the Local Authorities would have little financial inducement to make this economy, and in some cases, owing to the complication of the grant system, it might be to their interest to have the children at school.

The estimated saving to the Taxpayer through the Exchequer in 1922/23 is £1,785,000.

### (1.) (b.) *Closing of Small Schools.*

Under the present conditions many small schools are being maintained at an unduly high cost per pupil, and we suggest that unless steps are taken to reduce the cost of Education in these schools powers should be taken to withhold the grant in cases where the children can equally well be educated at less cost elsewhere. We are informed that a saving of £60,000 can be effected by closing schools below 100 pupils in London, and that an additional saving of £142,500 in salaries might be made in urban areas outside London. The larger proportion of such schools are in rural areas and further savings should be possible there, but no attempt has been made to estimate such savings.

### (2.) *Revision of the Standard of Staffing.*

On an average over the whole country there were in June 1921 32·4 children to each teacher, which compares with 32·9 children to a teacher in 1913/14, and by itself involves an additional cost of £630,000.

We are informed that if the standard of staffing were revised in urban areas so that there were in future one teacher to each fifty pupils, the saving would be £8,282,000, of which £4,853,000 would accrue to the Taxpayer.

We suggest that a revision in the standard of staffing should be effected as rapidly as circumstances permit. Country districts present special difficulties in this matter, but there is wide field for economy in urban areas, where the average is very little higher than for the country as a whole.

### (3.) *Teachers' Salary Scales.*

We were informed that the present scales were framed by the Burnham Committee, formed of representatives of the local authorities and of the teachers. The conclusions of the Committee are of direct importance to the Taxpayer, who bears from 50 per cent. to 60 per cent. of the increased salaries granted, as well as the whole of any consequential increase in pension charges.

Subsequent to the report of the Committee, the President of the Board of Education announced that the Government would pay grant on the basis of these scales where they were adopted by local authorities. Certain relatively minor changes as to the period over which the introduction of the scales should extend were made at the instance of the Government. The latest scales subject to certain provisions spreading over two years their application to existing teachers became operative from the 1st April last, but 35 per cent. of the local authorities have not as yet adopted them. It is therefore important to note that they are not universal in application, were not imposed by the Government, and that the local authorities pay what they think fit, subject to their not receiving grants in respect of salaries beyond the scales.

The bill for teachers' salaries is now more than two and a half times the pre-war figure. The Burnham Report provides that if the official figure of the cost of living rises to a higher level than 170 per cent. above pre-war costs, and remains there for six months, the scales shall be open to increase. It omits, however, any mention of reduction when cost of living falls. The index number at the date of the Burnham Report (September 1920) was 161, whilst it is now 103. Reductions on the ground of the falling cost of living have been accepted recently by most classes of the community and this process is continuing.

We see no way of making the reductions necessary in national expenditure without, among economies in many other directions, reducing the expenditure on elementary education. This can only be done by raising the lower age limit by putting more pupils under one teacher and paying the teachers less, and we think the teachers and Education Authorities should be asked to face this fact.

6. *Summary—Elementary Education.*

Before completing our review of the Estimates for Elementary Education it is necessary to consider expenditure on it as a whole. The estimates of the Board under this heading, viz., £36,723,000, are based on an anticipated expenditure by Local Education Authorities of £66,875,000, details of which are as under:—

| | £ |
|---|---|
| Teaching cost ... ... ... | 44,975,000 |
| Loan charges ... ... ... | 3,146,000 |
| Special services ... ... ... | 3,910,000 |
| Administration and other expenditure | 14,844,000 |
| | 66,875,000 |

*Teaching Cost.*

Having regard to our recommendations in the preceding section as to staffing, remuneration, raising the lower age limit and closing certain small schools, we consider that this item of expenditure can be kept within a figure of £36,000,000 instead of the £45,000,000 foreshadowed above.

*Loan Charges.*

No saving can be effected on Loan Charges.

*Special Services.*

The expenditure per child has increased from 3*s.* 6*d.* in 1913/14 to 14*s.* 6*d.* as the forecast for 1922/23. The total expenditure has grown in recent years as follows:—

| | £ |
|---|---|
| 1919/20 ... ... ... ... ... | 2,000,000 |
| 1920/21 ... ... ... ... ... | 3,000,000 |
| 1921/22 ... ... ... ... ... | 3,600,000 |
| 1922/23 ... ... ... ... ... | 3,900,000 |

We think that this item should be capable of reduction to £3,000,000, the amount which sufficed in 1920/21.

*Administration and other Expenditure.*

The expenditure per child has grown from 20*s*. 10*d*. in 1913/14 to 53*s*. forecast for 1922/23. The total expenditure has grown in recent years as follows :—

| | £ |
|---|---|
| 1919/20 ... ... ... ... ... | 8,900,000 |
| 1920/21 ... ... ... ... ... | 12,400,000 |
| 1921/22 ... ... ... ... ... | 13,700,000 |
| 1922/23 ... ... ... ... ... | 14,800,000 |

We consider that this item should be capable of reduction to £11,000,000, which is over £2,000,000 more than sufficed in 1919/20.

If the above suggestions are adopted, the expenditure by local authorities in 1922/23 recognised for grant would therefore be reduced to—

| | £ |
|---|---|
| Teaching cost ... ... ... ... | 36,000,000 |
| Loan charges ... ... ... ... | 3,146,000 |
| Special services ... ... ... | 3,000,000 |
| Administration and other expenditure | 11,000,000 |
| | 53,146,000 |

We suggest that the necessary steps be taken to limit the grant for 1922/23 to £26,573,000, being 50 per cent. of the above total. This represents a saving of £10,000,000 to the Taxpayer as compared with the Board of Education's proposal, and if the total cost of Elementary Education is kept within the £53,146,000 there would be a saving to the Ratepayer of £3,700,000.

## HIGHER EDUCATION.

| Expenditure— | £ |
|---|---|
| 1913/14 ... ... ... ... ... | 2,015,000 |
| Estimates— | |
| 1921/22 ... ... ... ... ... | 8,970,000 |
| 1922/23 ... ... ... ... ... | 9,765,000 |

7. *Observations on the Grant System.*

The administration of Higher Education is more complex even than that of Elementary Education. This arises from two causes. In the first place, the subject matter is itself more complicated. Higher Education includes Secondary Education, Technical Education of various kinds, the training of the teachers who are subsequently to teach in elementary schools, maintenance allowances given by local authorities to students at secondary schools and universities, and so on. Apart from this, however, the system

is further complicated by the existence, side by side, of two sets of institutions, the one controlled by local authorities, and the other not so controlled. These latter do much the same work as the institutions controlled by local authorities, and receive assistance direct from the Board of Education and not through any local authority as intermediary.

The system of grants for Higher Education resembles that for Elementary Education in general outline only.

Local Education Authorities have a statutory right to receive not less than 50 per cent. of their expenditure on Higher Education if the substantive grants do not give them that amount. In practice nearly all these authorities are in receipt of the flat 50 per cent. grant, and very few indeed are affected by substantive grants at all. On the other hand, non-L.E.A.* institutions receive substantive grants on a *per capita* or other basis, and not a proportion of their expenditure.

8. *Secondary Education.*

(a.) *Cost per pupil.*—We have been furnished with the following table showing the cost per pupil in grant-aided secondary schools (L.E.A. and non-L.E.A. inclusive) :—

| | 1912/13. | 1919/20. | 1920/21 (estimated). | 1922/23 (forecast). |
|---|---|---|---|---|
| | Cost per Pupil. | Cost per Pupil. | Cost per Pupil. | Cost per Pupil. |
| Expenditure— | *s.* *d.* | *s.* *d.* | *s.* *d.* | *s.* *d.* |
| Salaries of teachers ... ... | 213 3 | 287 9 | 339 6 | 400 0 |
| Loan charges... ... ... | 33 1 | 23 11 | 25 4 | 30 0 |
| Provision for pensions ... | 2 1 | 0 10 | 1 2 | 1 0 |
| Maintenance of premises ... | 46 0 | 65 3 | 84 6 | 84 0 |
| Administration ... ... | 10 10 | 13 7 | 17 8 | 17 0 |
| Other payments† ... ... | 26 3 | 40 0 | 51 10 | 52 0 |
| Total expenditure ... | 331 6 | 431 4 | 520 0 | 584 0 |
| Deduct receipts— | | | | |
| Fees ... ... ... ... | 123 10 | 147 8 | 154 0 | 180 0 |
| Endowments ... ... ... | 19 10 | 20 3 | 18 4 | 18 0 |
| Miscellaneous... ... ... | 9 4 | 12 9 | 11 6 | 12 0 |
| Total receipts ... | 153 0 | 180 8 | 183 10 | 210 0 |
| Net cost borne by L.E.As. and Exchequer. | 178 6 (£8 18*s.* 6*d.*) | 250 8 (£12 10*s.* 8*d.*) | 336 2 (£16 16*s.* 2*d.*) | 374 0 (£18 14*s.* 0*d.*) |

* L.E.A. means Local Education Authority. For simplicity all grants to non-L.E.A. institutions have been treated as falling under Higher Education, though, in fact, a small proportion, less than £100,000, relate to Elementary Education.

† Other payments include expenditure on books, stationery materials, library, examinations, prizes, games, &c.

Some further light is thrown on the causes of the great growth in the cost of Secondary Education by the following particulars :—

GRANT-aided Secondary Schools.

| — | 1912/13. | 1920/21. | Percentage Variation. |
|---|---|---|---|
| Number of pupils ... ... | 175,752 | 339,308 | + 93 |
| Number of teachers... ... | 10,506 | 17,894 | + 70 |
| Average salary of teachers ... | £173 | £332 | + 92 |

The number of pupils has thus nearly doubled, due partly to increase of pupils in existing secondary schools, the opening of new secondary schools and the inclusion in the list of grant-aided schools of a number previously independent of either State or local control. A forecast for 1922/23 places the number of pupils at 385,000, an increase of 46,000 in two years.

Up to 1920/21 the average salary per teacher in secondary schools had not increased so fast as in elementary schools, but the forecast given above shows a rapid increase under the operation of the Burnham Secondary School scale. The average salary will shortly reach £389, an increase of 125 per cent.

(b.) *Free-place Students and Fee-paying Students.*—The Board's regulations provide that a minimum of 25 per cent. of the places available shall be reserved for free-place pupils from the elementary schools, and we think that in present circumstances this should be limited to 25 per cent.

Even where fees are paid in respect of a pupil they do not on the average exceed 43 per cent. of the total cost of educating that pupil. We are informed, however, that since July fees have been raised in 500 schools and a revision is under consideration at 250 other schools; the increases have generally been about 50 per cent., *e.g.*, in London fees are being increased from £9 to £14 per annum, and will be reflected in the receipts in the financial year 1922/23. They will still be a long way below actual cost. We recommend the fees should be substantially raised throughout, and at the same time every effort should be made to reduce the cost of Secondary Education. Scholars, whether fee-paying or not, should not be allowed to continue to receive State-aided Secondary Education if they do not show ability and industry, and effective periodical tests should be applied to ensure this elimination.

(c.) *Revision of Grant List.*—The recent great increase in the cost of State subsidised education is alarming. The condition of affairs when taxes and local rates were drawn on only to pay for the Elementary Education of the children of the working classes has been abandoned.

Schools which could hardly be considered as requiring State aid are now receiving assistance from the local rates and the Taxpayer. We have in mind schools, such as Bedford Modern

School, Blundell's School, Tiverton, and Berkhamstead Grammar School, which are on the grant list, and Dulwich College, which has applied for inclusion. We entertain great doubt whether the public is aware of this development or is in favour of grants of public money towards the cost of educating children whose parents can well afford to defray the whole expense themselves. It could no doubt be urged that in some of these cases local authorities are supporting schools of this type because it is cheaper for them to do so than to set up secondary schools of their own. Nevertheless, we consider that the grant list stands greatly in need of revision.

(d.) *Revised Classification of Schools.*—An extensive system has grown up under which local authorities, without assuming full control of non-L.E.A. schools in their area, yet contribute to their cost. From the point of view of the Exchequer, schools of this kind throw an additional burden upon it as compared with L.E.A. schools.

First, they are receiving a direct grant of £7 per pupil from the Board of Education; secondly, whatever expenditure on account of these schools appears in the Local Authority's Annual Budget attracts a grant of 50 per cent. This arrangement is anomalous, it is expensive, and its continuance may lead to fresh demands on the Exchequer for increased assistance to those schools which are not thus favoured.

We therefore suggest that where a school receives financial assistance from a Local Authority, the direct grant from the Board should cease and no further grant should be made to that school except through the supporting Local Authority as an intermediary.

This reform would save the Exchequer a charge of £500,000 per annum as compared with present conditions, and we think that with a closer financial interest in the matter the L.E.As. may effect further further economies.

9. *Technical Schools.*

These schools are of the most varied description. The expenditure 1921/22 passing through Local Authorities' accounts on technical education may be summarised as follows:—

| | £ |
|---|---|
| Senior technical schools ... ... | 1,500,000 |
| Schools of art ... ... ... | 550,000 |
| Junior technical schools ... ... | 250,000 |
| Day continuation schools ... ... | 540,000 |
| Evening continuation schools ... | 1,350,000 |
| | 4,190,000 |

A brief description of the system is given in Appendix (C). In addition to the above expenditure £142,000 is distributed by the Board in grants to non-L.E.A. technical schools.

It appears to us clear that progressive developments should be postponed until the financial situation of the country is better, and we think that the cost should be capable of reduction. In many cases we feel convinced that instruction in certain subjects, not connected with any future occupation, is being given and we consider that unless activities of this kind can be made self-supporting they should be rigorously curtailed.

If a complete system of Continuation Schools is introduced, as contemplated in the Act of 1918, the additional charge can hardly be estimated at less than £10,000,000 per annum: and in addition, there is the ultimate pension liability of £2,500,000 referred to in section 14.

10. *Training of Teachers.*

There are 18,542 full-time students in training to become teachers in elementary or secondary schools or teachers of domestic subjects. The average cost per resident and non-resident student to public funds is at present £79 per annum.

In 1922/23 it appears that, including part-time students, the expenditure from public funds would be at least £1,700,000, of which the Taxpayer would pay £1,350,000.

If our suggestions as to the revision of the standard of staffing in elementary schools are adopted, a reduction of the expenditure on training should shortly be possible, though, in consequence of students who have commenced courses being still in residence, the full effect cannot be felt in 1922/23. The question of fees paid by students should also be reviewed. These to-day are about £30 per annum for residents, and £5 to £10 for non-residents, and should be brought into closer relation with the cost.

11. *Aid to Students.*

Many Local Authorities now grant maintenance allowance to students from elementary schools in order to enable them to continue their education at secondary schools, and scholarships to older pupils proceeding to the Universities. The fees usually paid by the students may also be paid by the Local Authority. Such expenditure by the Local Authorities is, subject to certain restrictions, subsidised by the State to the extent of 50 per cent.

For 1922/23 the Board estimate that the expenditure of the Local Authorities for this purpose will be £950,000, which will require a Government grant of £475,000.

We understand that the Government grant towards these scholarships may eventually reach a maximum of £800,000 a year and we consider that the whole question of these grants should be reviewed.

In addition to subsidising the activities of Local Authorities the Board also grant direct certain scholarships, studentships and exhibitions, the cost of which in 1922/23 is estimated at £215,000. In our opinion these should for the present be limited to the present holders.

Recently the Board have introduced a State scheme of scholarships at the Universities which is intended to supplement the efforts made in that direction by Local Authorities. This development, which is still in its infancy, appears to us another illustration of the readiness with which the State has accepted special obligations after it had provided fully for its liability by a percentage grant to Local Authorities, and we suggest that with the exception of the present holders of scholarships this scheme should cease.

12. *Summary. Higher Education.*

As in the case of elementary education it is necessary to consider expenditure as a whole. The estimated expenditure of the Board under this heading is (*a*) £7,300,000 grants in respect of an expenditure of £16,200,000 by Local Authorities and (*b*) direct expenditure of £2,570,000 which includes *per capita* grants to non-L.E.A. Institutions and Aid to Students.

(a.) *Grants to Local Authorities.*—The expenditure by Local Authorities on Higher Education has expanded with extreme rapidity.

| | £ |
|---|---|
| 1913/14 ... ... ... ... ... | 4,402,000 |
| 1918/19 ... ... ... ... ... | 5,100,000 |
| 1919/20 ... ... ... ... ... | 7,400,000 |
| 1920/21 ... ... ... ... ... | 11,000,000 |
| 1921/22 (estimated) ... ... ... | 13,500,000 |
| 1922/23 (estimated) ... ... ... | 16,200,000 |

The details for the last two years are :—

| | 1921/22. | 1922/23 forecast. |
|---|---|---|
| | £ | £ |
| Secondary schools ... ... | 5,727,000 | 6,835,000 |
| Training colleges ... ... | 593,000 | 710,000 |
| Technical schools ... ... | 4,190,000 | 4,800,000 |
| Aid to students ... ... | 1,319,000 | 1,709,000 |
| Loan charges ... ... ... | 688,000 | 698,000 |
| Medical inspection and treatment ... ... ... | 56,000 | 100,000 |
| Administration and inspection | 700,000 | 735,000 |
| Miscellaneous ... ... | 202,000 | 613,000 |
| Total ... ... | 13,475,000 | 16,200,000 |

On the basis of our recommendations in the preceding paragraphs as to secondary schools, technical education, training of teachers and aid to students, we consider that the expenditure recognised for grant should be limited to £10,000,000 in 1922/23, with an intimation that by 1925 the authorities must conform to the 1920 expenditure of £7,400,000.

In view of the increase in the numbers of applications for admission to secondary schools in recent years, there is now in those schools an abnormally high proportion of children in the lower age groups, with the result that the number leaving the school each year for the next few years will be an unusually small proportion of the total number of students; but for this fact we should have recommended a greater immediate reduction than that proposed. If, however, our suggestion in section 8 (*d*) is adopted, viz., that in all cases where a Local Education Authority assists a non-Local Education Authority School the whole of the State's contribution should be paid through that authority, the Local Authorities' budgets will be increased by £1,000,000, making a total to be recognised for grant of £11,000,000.

The grant in respect of an expenditure of £11,000,000 by Local Authorities would be £5,500,000, but as a sum of £800,000 is provided from local taxation moneys, the charge to the Board's vote will be £4,700,000.

(b.) *Direct Expenditure by the Board on Higher Education.*

Grants to non-L.E.A. Institutions :—

| | 1921/22. | 1922/23. |
|---|---|---|
| | £ | £ |
| Training of teachers ... | 872,000 | |
| Secondary schools ... ... | 1,116,200 | 2,355,000 |
| Technical schools ... ... | 142,000 | |
| Miscellaneous ... ... | 99,000 | |
| | 2,229,000 | |
| Aid to Students— | | |
| For university studies ... | 35,000 | |
| For day students at training colleges ... ... ... | 138,300 | 215,000 |
| Miscellaneous ... ... | 19,185 | |
| | 192,485 | |
| | 2,421,485 | 2,570,000 |

Of the total of £2,570,000, £1,000,000 is in respect of assistance to non-L.E.A. Schools, and we have suggested in section 8 that in future this should be dealt with by the Local Education Authority. There remains, therefore, for consideration £1,570,000, and of this £1,000,000 is in respect of the training of Teachers in non-L.E.A. Institutions. No change under this heading can possibly be made until the end of the College year, and in these circumstances we can only suggest a reduction of this estimate to £1,350,000 apart from the transferred £1,000,000 to the non-L.E.A. Schools referred to above.

The total provision on the vote for higher education in 1922/23 would thus be £4,700,000 under (*a*) grants to Local Authorities, plus £1,350,000 under (*b*) direct expenditure, making a total of £6,050,000.

We accordingly suggest that the sum to be inserted in the vote in respect of higher education should not exceed £6,050,000. This represents a saving of over £3,500,000 to the Taxpayer as compared with the Board of Education's proposal, and if expenditure of Local Authorities is kept within the £11,000,000 there would be a saving to the Ratepayer of over £2,500,000.

## Miscellaneous Expenditure.

13. *Sums to be Provided under this Head.*

To complete the examination of the Vote, the following miscellaneous items must be considered :—

| | 1921/22 Estimate. | 1922/23 Estimate. |
|---|---|---|
| | £ | £ |
| Scheme for assisting ex-officers and men at universities ... | 2,248,000 | 1,090,000 |
| Museums ... ... ... | 269,000 | 210,000 |
| Board's administration and inspection ... ... ... | 963,000 | 900,000 |
| Teachers' pensions ... ... | 1,575,000 | 1,920,000 |
| | 5,055,000 | 4,120,000 |

*Scheme for ex-Officers and Men.*

The scheme for assisting ex-service officers and men is a post-armistice measure which cannot in the view of the Committee be amended at this late date. It is a rapidly diminishing charge which must be left to work itself out.

*Museums.*

The museums under the Board are the Victoria and Albert, the Science Museum and Bethnal Green Museum. We suggest a rather greater reduction on 1921/22 figure, *viz.*, to £195,000.

*Administration and Inspection.*

As regards the Board's administration and inspection, we are informed that a closer estimate has been made and that the Board agree that the figure of £900,000 can be reduced to £879,807. In view of our suggestion as to the simplification of the grant system, we think some further staff economies are possible, and therefore suggest a reduction to £850,000 at once and a larger reduction in the future.

14. *Teachers' Pensions.*

| | £ |
|---|---|
| Expenditure, 1913/14 ... ... ... | 176,000 |
| Estimate, 1921/22 ... ... ... | 1,575,400 |
| Estimate, 1922/23 ... ... ... | 1,920,000 |

Teachers' pensions are now provided entirely by the State, and no contribution is made either by the teacher himself or by his employers.

We have considered a suggestion that teachers' superannuation should be placed on a contributory basis. Under the pension system in force before 1918, which was confined to certificated Elementary School teachers, contributions were made by teachers at a flat rate, which represented about 2½ per cent. of the average salary then current. The benefits under the present non-contributory scheme, which dates from 1918, apply to more teachers and are of much greater value than those under the old contributory scheme. We are advised by the Government Actuary that, expressed as a percentage of future salary, the value of the benefits under the present scheme to existing teachers, who are allowed to count their past service, ranges from 10 per cent. of annual salary in the case of a Man Certificated Teacher, aged 30, to nearly 60 per cent. of such salary in the case of a Woman Uncertificated Teacher, aged 50. The value of a Teacher now entering the service is, on the average, approximately 8 per cent. of annual salary.

The cost of the scheme, which will be £1,920,000 in 1922/23, will rapidly and continuously increase to a very high figure. The Government Actuary estimates that by 1929/30 it may reach £4,402,000 a year, by 1939/40 £7,667,000, and ultimately £9,584,000; and, further, if a complete system of Continuation Schools is put into operation, it will add a further £2,500,000 to the ultimate liability, making a total of £12,000,000 per annum. The present salaries of teachers in pensionable service aggregate about £50,000,000, whereas when the non-contributory scheme was introduced in 1918 they amounted to £20,000,000. To-day, though the taxpayer pays the whole pension bill, the Local Authority has control of the pay, the age of retirement and promotion of the staff, but no financial interest in the pensions cost affected thereby—a most vicious principle.

The full cost to the taxpayer of the burden of teachers' pensions was clearly not appreciated when the arrangement was made, in fact the Government actuary was not consulted.

We recommend that a full enquiry should be held with a view to placing the superannuation of teachers on a sound contributory basis under which the teachers and the authorities who employ them would each bear a due proportion of the burden.

Pending such enquiry we recommend that a 5 per cent. levy should be paid by the teachers. On the reduced salary bill which would result from our previous recommendations this would yield £2,000,000 in 1922/23.

As shown above, the total of Miscellaneous Expenditure items can thus be reduced to £4,055,000, a saving of £65,000 apart from any contributions which may be levied in respect of teachers' pensions.

*Financial Effect of Recommendations.*

15. Our suggestions on different portions of the Vote would produce the following result :—

| Paragraph of Report. | | £ |
|---|---|---|
| 6 | Grant for Elementary Education ... | 26,573,000 |
| 12 | Grant for Higher Education ... ... | 6,050,000 |
| 13 | Miscellaneous expenditure ... ... | 4,055,000 |
| | | 36,678,000 |
| 14 | *Deduct* superannuation contributions | 2,000,000 |
| | Net total ... | 34,678,000 |

This figure compares with the Board's estimate of £50,600,000. It may be added that there would be a consequential saving of £2,000,000 on the Vote for the Scottish Education Department, making a total reduction on these Votes of £18,000,000.

GRANTS TO UNIVERSITIES AND COLLEGES.

1913/14, Actual Expenditure, £481,106 (including £37,483 for non-recurrent grants).
1921/22, Estimate, £2,000,000 (including £500,000 for a non-recurrent grant).
1922/23, Estimate, £1,200,000.

Before 1918/19, annual grants to Universities and Colleges were provided under many different Votes. From 1919/20 onwards, the expenditure, apart from certain statutory grants to Irish Universities (£84,000), has been collected under a single head. The Treasury now fix the sum to be provided each year, but as regards the details of its allocation among the Universities, act on the advice of an independent Committee of Experts, known as the University Grants Committee.

For 1919/20, a sum of £1,000,000 was provided for recurrent grants, and this figure was increased to £1,500,000* in 1921/22 The Treasury have requested the University Grants Committee to frame their recommendations for 1922/23 so as to bring he expenditure within a total of £1,200,000, being 20 per cent. less than the provision for the current year.

Correspondence between the Treasury and the University Grants Committee has been laid before us, in which the case is set out on the side of the Committee for a larger grant. We appreciate the importance of a due measure of State encourage-

* In addition, a non-recurrent lump sum grant of £500,000 was made to enable Universities to improve the superannuation provision for their teachers.

ment to Universities, which greatly stimulates local support also, but the paramount consideration is national solvency, without which there can be no grants to Universities at all. In all the circumstances we recommend that a sum of £1,200,000—which is two and a half times the pre-war grant—should be provided in 1922/23, subject to any reduction which may automatically follow the transfer of responsibility for Irish Universities and Colleges.

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## SUMMARY OF CONCLUSIONS.

**As a result of our consideration, we are of the opinion:—**

**(1.) That of recent years the national expenditure on Education has far exceeded what the country can at present afford. The cost of Elementary and Secondary Education *per pupil* has increased unreasonably. The incidence of cost has been transferred increasingly from the local Ratepayer to the Taxpayer, and this has had the serious effect of decreasing the financial responsibility of those who actually spend the money. The Board of Education Vote has since 1918/19 grown from £19 millions to £50 millions.**

**(2.) That children should not be taken into State-aided Schools until they have reached the age of 6.**

**(3.) That the cost of teaching must be brought down by the Local Authorities, and that the only way to effect this is to tell each Local Authority how much money it can have, and leave it to the Local Authority to reap thereafter the full benefit of any economies it may make, and we have suggested ways in which we think that such economies can be made. We are impressed by the position of impotence of the Board of Education in either controlling expenditure or effecting economies, once the policy has been determined. There is no doubt, on the other hand, that Local Authorities have been urged into expenditure upon a scale which they would not have contemplated if left free.**

**(4.) That the grants for Secondary Education are providing State-aided or free education to a class which can afford to pay an increased proportion or even the full cost of education, and that children whose mental capabilities do not justify this higher and much more costly education are receiving it. We wish to make it clear that we do not recommend any serious reduction in free Secondary Education, but suggest that it should be confined to children whose mental calibre justifies it and whose parents cannot afford to pay for it.**

**(5.) That as regards Higher Education generally and Scholarships, the expenditure is in excess of the nation's ability to pay, and must be reduced.**

(6.) That the Estimates for the Board of Education for the year 1922/23 should be reduced from £50,600,000 to £34,500,000 (which is approaching twice the 1918/19 provision), a reduction of £16,100,000, which, with the automatic reductions in Scotland, will yield £18,000,000, and we recommend that whatever proportion of the reduced sum is to be paid to Local Authorities should be so allotted by the Board of Education that the vicious results of the percentage grant system shall be terminated forthwith.

(7.) That the question of Superannuation of Teachers should be examined, and we suggest that this should be put upon a contributory basis. We view with alarm the liability under this head which is accruing, and which, we are told, may well amount ultimately to £12 millions per annum.

We have suggested that a 5 per cent. contribution on salaries should be made by teachers, which would have an immediate effect upon the Exchequer, but the whole question should be gone into forthwith before the growth of vested interests makes it incapable of modification.

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## APPENDIX (A).

### Note from the Secretary of the Scottish Education Department.

*Percentage Grants in Scottish Education.*

Following the revision of the Scottish educational system, by the Education (Scotland) Act, the Scottish Education Department issued a Minute (the 11th April, 1919) . . . "that in respect of the year ending the 15th May, 1920, there shall be paid to each Education Authority grant equal to a certain proportion of that Authority's *approved expenditure*. Normally this proportion shall be 50 per cent., but the Department shall have power, if funds are available, to increase this proportion, or conversely, if necessary, to reduce it. . . ."

The expenditure of certain authorities grew so fast, particularly on salaries, that on the 9th July, 1920, the Department issued an amending Minute substituting for the words "approved expenditure," the words "expenditure in so far as it is approved by the Department for purposes of grant." Under this Minute they limited percentage grant on salaries to salaries covered by the Scottish Minimum National Scale—a fairly low minimum scale applicable to the whole of Scotland and very much less than

that in force in certain districts. The payment of percentage grants on *salaries* fixed by the grant receiving authorities themselves was thus eliminated.

On the 30th June, 1920, a Minute was issued practically destroying percentage grants for any form of educational expenditure in 1920/21.

Under their latest Minute of the 22nd April, 1921, applicable to the year 1921/22, the percentage grant system has completely disappeared, and block grants are given based on the number of pupils and the number of teachers employed.

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## APPENDIX (B).

*Present Method of Calculating Government Grant for Elementary Education.*

The grant formula, which dates from 1917, is best explained by illustrating its actual working in the last year (1920/21) for which full details are available.

| Calculation :— | £ |
|---|---|
| (*a.*) £1 16*s.* per head of average attendance... | 9,502,951 |
| (*b.*) 60 per cent. of salaries of teachers ... | 24,136,611 |
| (*c.*) 50 per cent. of special services ... ... | 1,487,208 |
| (*d.*) 20 per cent. of other expenditure ... | 3,097,687 |
| Total of above ... ... | 38,224,457 |
| (*a.*) Deduct a sum equivalent to a rate of 7*d.* in the £1 ... ... ... ... | 6,148,233 |
| Remainder ... ... | 32,076,224 |
| (*e.*) Add to bring the grant in certain areas up to 50 per cent. ... ... ... ... | 611,341 |
| (*f.*) Additional grant in highly-rated areas ... | 209,751 |
| Total substantive grant for 1920/21 ... | 32,897,316 |

There are still more adjustments to be made, but the above is sufficient as an illustration.

The two items marked (*a*) together act as a rate equalising device; a poor area, where the number of children is large and assessable value low, benefits substantially. A rich area with few children benefits little or nothing.

It will be observed that (*b*) the grant to teachers' salaries is nearly three-quarters of the whole net grant to Elementary Education.

The " special services " (*c*), for which 50 per cent. is given, are the School Medical Service, provision of meals, schools for mentally and physically defective children, organisation and supervision of physical training, evening play centres and nursery schools; while " other expenditure " (*d*) includes loan charges, provision of maintenance of school buildings, administration of local authorities, enforcement of attendance, rent, rates, taxes, fuel, light, caretakers' wages, stationery, apparatus, &c.

(*e*.) The sum added to bring the grant up to 50 per cent. is provided to forestall the operation in a subsequent year of section 44 (2) of the Education Act, 1918, which provides that the total sum paid to an authority shall not be less than one-half of the net expenditure of the authority recognised by the Board.

The " deficiency grant " to make up the difference is payable in the next year, but in practice it is forestalled as nearly as possible by a special addition to substantive grant in the year in question. The areas concerned are few, but include London.

(*f*.) The " additional grant in highly-rated areas " explains itself. In 1921/22 impoverished areas where the education rate exceeds 48*d*., will get, subject to certain conditions, a special grant equal to half the excess of their expenditure over the produce of a 48*d*. rate.

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## APPENDIX (C).

### *Technical Education.*

The following types of institutions are in receipt of assistance from the Exchequer and local rates :—

*Senior Technical Schools.*

We are informed that these schools in the main are attended by students of 16 years of age and upwards, and that the great mass of the instruction offered is related to the occupations of the part-time students who attend. There are also a number of full-time students pursuing courses relating to the occupations which the students hope to enter; students working for university degrees, in arts or pure science are also instructed in these schools.

*Schools of Art.*

These schools are attended by students of 13 years of age and upwards. Some of them are, or have been, engaged in industries which are in some greater or less measures dependent upon art. Teachers engaged in elementary or secondary schools improve their qualifications for teaching drawing or similar subjects by attending the schools of art.

*Junior Technical Schools.*

These are full-time schools, the definite purpose of which is to enable boys or girls who have finished the ordinary course of an elementary school at the age of about 13 or 14 to attend school for another two or three years, during which period they continue their education in ordinary school subjects, but also give a substantial part of their time to preparatory studies in relation to a particular occupation, *e.g.*, engineering, dressmaking, &c.

*Day Continuation Schools.*

The Education Act of 1918 provided for the establishment of a system of Day Continuation Schools, providing so many hours of instruction weekly for pupils engaged in ordinary occupations for the greater part of their time. Attendance was to be compulsory, at first up to the age of 16, and, after a lapse of seven years, up to the age of 18. The compulsory attendance to age 16 becomes law in a particular district when on the application of the local authority the President of the Board has fixed an appointed day for that district.

This system has been only slightly developed, the areas for which appointed days have been fixed being London, Rugby, Stratford-on-Avon, Swindon, West Ham and Birmingham. West Ham and Birmingham have dropped out, and the London schools are now restricted to young persons aged 14 to 15.

The President of the Board has announced that it is not his intention in the present financial circumstances to fix any further appointed days.

*Evening Continuation Schools.*

The main purpose of these schools is to enable young persons who have left public elementary schools to continue their education by evening attendance for a period of about two years; while a considerable amount of instruction is already directed to the preparation of the student for the occupation he intends to follow. There is also an inter-mixture of studies having a more general aim.

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## Chapter II.

## MINISTRY OF HEALTH ESTIMATES.

The Ministry of Health was formed in 1919, taking over the duties of the Local Government Board and assuming responsibility for the work of the National Health Insurance Commission for England and Wales.

The Provisional Estimates for 1922/23 compare with the corresponding expenditure in 1913/14 and with the current year's Estimates as follows :—

| —— | 1913-14. | 1921-22. | 1922-23. |
|---|---|---|---|
| Ministry of Health— | £ | £ | £ |
| Ordinary services ... ... | 4,206,663 | 19,152,098 | 22,504,500 |
| Services arising out of the war ... | — | 5,093,000 | 1,765,000 |
| Total ... ... | 4,206,663 | 24,245,098 | 24,269,500 |
| National Health Insurance Joint Committee. | 250 | 500,500 | 350,500 |

An analysis is given in Appendix (A).

Certain subordinate Departments, such as the Board of Control and the National Health Insurance Audit Department, are excluded, as well as the Scottish Board of Health.

The increased expenditure on ordinary services next year will more than counterbalance the fall in the cost of services arising from the war (which include the subsidy to private builders).

It is possible, however, that the recital of the bare figures may, in this case, give a somewhat misleading impression. We were struck, in the course of our examination of this Vote, by the fact that strenuous efforts have recently been made to secure savings, though these, unfortunately, are not sufficient to reduce the total of the Vote, owing to obligations previously incurred in other directions. Nevertheless, over £3,000,000 have been saved by a restriction of the housing programme, and a further £1,000,000 by a reduction in the capitation rate paid to doctors under the Health Insurance Scheme.

## 2. ADMINISTRATION.

| | £ |
|---|---|
| 1913/14 ... ... ... | 593,878 |
| 1921/22 ... ... ... | 2,298,748 |
| 1922/23 ... ... ... | 1,564,000 |
| Reduction ... ... | 734,748 = 32 per cent. |

We have had submitted to us a very complete account of the administrative system of the Ministry, and are satisfied that vigorous steps have been taken to reduce expenditure on staff.

There are points of detail, however, on which we wish to comment :—

(a.) *Medical Referee Consultants* (£100,000).

This provision is in respect of thirty-six whole-time doctors and a number of part-time doctors who deal with appeals by Approved Societies against recommendations of panel doctors in

cases where there is a dispute as to whether a man's health is such as to require sick benefit. They also supervise medical benefit and do a certain amount of general medical work for the Ministry of Health and other Departments. The whole-time doctors are on a five-years' engagement as from October 1920. We understand it is hoped to reduce the sum of £100,000 provided under this sub-head to £85,000 gross, and to recover from Societies £7,500 by way of fees.

It appears that the referees are to some extent a luxury. The Societies might revert to the old plan of employing their own referees, which would be less expensive to the Taxpayer.

If this were done, the position of these doctors should be examined with a view to ascertaining what it would cost to terminate their engagements and in the alternative whether it would be possible to transfer them to any other Government Department which requires whole-time medical staff, for example, the Ministry of Pensions, which has a large temporary staff.

(b.) *Index Clearance Branch* (£30,000).

The position of this branch, instituted in order to meet an objection on the part of medical practitioners to the manner in which the funds available for medical benefit were distributed among individual practitioners, is under consideration by the Minister with a view to its abolition, if possible. Unless very strong reason can be shown for the continuance of this branch at public expense, we suggest that it should be discontinued. Such an arrangement is not now found necessary in Scotland.

(c.) *Public Health Services* (£198,000).

This staff includes the doctors who inspect the various Health Institutions and whose services are required largely as a result of the State's percentage grant to the Local Authorities. If our suggestions in the preamble to this part of the Report for replacing percentage grants by some simpler arrangement are adopted, considerable reductions in staff should be possible here.

(d.) *Welsh Board of Health (Cardiff)* (£80,000).

A Board of Health was set up in Wales, to which some of the Ministry's functions in Wales were delegated. This has led to unnecessary duplication of staff, and we are informed that £40,000 could be saved if the work were transferred to the Ministry in London, and we suggest that this change should be adopted.

(e.) *Alkali Inspectors.*

This staff, engaged in connection with the Alkali Works Registration Act, 1906, costs about £12,000 per annum, while the fees charged amounted to £4,158 only in 1920/21. We consider that legislative powers should be obtained with a view to

increasing the fees to a figure sufficient to cover the cost of the staff. We are of opinion that services of this nature should as a general principle be self-supporting.

## 3. HOUSING.

The Estimate of £11,400,000 for Housing in 1922/23 is made up as follows :—

| | £ |
|---|---|
| Subsidy to Private Builders ... ... | 2,500,000 |
| Grants towards the deficit on Local Authorities' Housing Schemes ... | 9,500,000 |
| Discount on sale of Army Huts ... ... | 20,000 |
| Improvement of Slum Dwellings ... ... | 130,000 |
| | 12,150,000 |
| Less balance of sales of Housing Materials over purchases ... ... ... ... | 750,000 |
| | 11,400,000 |

*Private Builders' Subsidy.*

We are informed that certificates have been issued in respect of 42,000 houses in England and Wales involving a total subsidy of £10,000,000, which is in course of payment. Of this sum it is estimated that £2,500,000 will remain to be paid in 1922/23, which will complete the scheme. The Government are irrevocably committed to this expenditure, and we have no comments to make.

*Local Authorities, &c., Housing Schemes.*

The Housing position under these schemes was on the 1st October as follows :—

| | Houses. |
|---|---|
| Restricted programme ... ... ... | 176,000 |
| Number completed ... ... ... | 68,550 |
| Number in course of erection ... ... | 68,730 |
| Number not yet started ... ... ... | 38,720 |

The number of separate schemes for which tenders for building houses have been approved is at present 4,369, and we are informed that no material addition to this number is anticipated. These 4,369 schemes are in the hands of 1,272 Local Authorities, and we are informed that, apart from a few negligible cases, the 1*d.* rate to which the financial interest of the Local Authorities is limited has everywhere been exceeded.

The following particulars show how serious a burden the scheme has thrown on the public purse :—

| | £ |
|---|---|
| The average cost of each house will probably work out at ... ... ... | 1,100 |
| On which the loan charges represent about 6·8 per cent., or ... ... | per annum. 75 |
| Towards this sum the net rents provide on the average only ... ... ... | 16 |
| Leaving a deficit on each house of ... | 59 |
| The contribution from the locality is limited to the produce of a 1*d.* rate, which works out per house at ... which is the total contribution from the local Ratepayer, | 4 |
| Leaving the Taxpayer to find on each house ... ... ... ... ... | £55 per ann. |

Building costs have fallen recently, but the number of contracts to which the reduced prices apply is insufficient to affect the average materially.

The sum needed for 1922/23 is given as £9,500,000, and we are informed that the full annual charge on completion of the scheme will reach £10,000,000 per annum, and will continue for sixty years, subject to the following slight measures of relief :—

(1.) In so far as the Local Authorities' borrowings have been effected by short-term bonds they may be able to re-borrow in five or ten years' time at lower rates.

(2.) The loans in respect of sewerage work have a period of thirty years.

We are advised by the Minister that it is very unlikely that it will ever be possible to increase rents so as to reduce the charge. Rents are now fixed under regulations which were determined as the result of negotiations between the Ministry and Local Authorities. Under these regulations the initial rents must be based on the rents of similar houses in the locality, due account being taken of any superior amenities and of the increase of 40 per cent. authorised by the Increase of Rent Acts. In the event of a dispute between the Ministry and a Local Authority the case is referred to an Arbitration Tribunal. It appears unlikely, therefore that any material increase in the rent for these houses can be looked for.

The lamentable and outstanding feature is the fact that local authorities who administer the schemes, subject to general directions from headquarters, have no longer any direct financial interest in economy. Their liability is limited to the produce of a penny rate which is greatly exceeded in nearly all cases. This is an extraordinary and anomalous position.

The Minstry's regulations provide for creating a repair and reserve fund, and for allowances to Local Authorities as regards " empties " and cost of collection of rents.

These allowances are, however, subject to review, and if they prove to be inadequate any increase in the allowances automatically increases the loss to the Taxpayer.

We are much concerned at the heavy liability which has been assumed by the State, and feel that every possible avenue of relief should be actively explored. The only feasible method to reduce the annual charge of £10,000,000 appears to be the sale of the houses.

If the houses could be sold at an average price equivalent to 50 per cent. of cost, the following would be the effect on the Exchequer :—

| | £ | s. | d. |
|---|---|---|---|
| The loan charge would be reduced by one-half of £75, *i.e.*, by ... ... ... | 37 | 10 | 0 |
| The net rent would be lost ... ... ... | 16 | 0 | 0 |
| Leaving a net saving of ... ... ... | 21 | 10 | 0 |

per house sold per annum.

There would in addition be no further risk in connection with repairs, empties and non-collection of rent.

This saving represents 36 per cent. of present loss and, if all the houses were disposed of on this basis, would be equivalent to £3,600,000 per annum. Every house sold on this basis would be a real and permanent economy, whereas any economies from reduced rates of interest or increased rents are problematical and will be more than counter-balanced by increased charges for repairs and empties.

The Minister of Health is in agreement with us as to the desirability of selling as many houses as possible. On the other hand he points out that while the Housing Acts give power to the Local Authority to sell houses subject to certain conditions they contain no power which enables the Minister to make the policy of sale effective.

Furthermore, by Section 15 (1) (*d*) of the Housing and Town Planning, &c., Act, the sales of houses are subject to such conditions as the Authority, with the consent of the Minister, may think fit to impose. This militates against a ready sale and keeps the price down at the same time. We accordingly suggest that the Housing Acts should be amended so as to give the Minister a free hand as regards the sale of houses, and that a well-advertised policy of sale should thereafter be adopted by him. If by an amendment of the Acts as recommended, houses were freed from all restrictions and sold in the open market, it is certain that a better price would be obtainable than at present.

A policy of sale appears to be the only means whereby the heavy burdens on the State in respect of housing commitments can be mitigated. To-day there is no financial inducement to a

local authority either to sell or in any way to reduce the burden of £55 per annum falling on the Taxpayer in respect of each of the 176,000 houses.

## 4. PUBLIC HEALTH SERVICES.

The following table shows in some detail the growth of expenditure under this head :—

| —— | Tuberculosis. | Maternity and Child Welfare. | Venereal Diseases. | Welfare of the Blind. | Port Sanitation. | Total. |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| 1913–14 ... | 117,000 | — | — | — | — | 117,000 |
| 1914–15 ... | 172,000 | 11,000 | — | — | — | 183,000 |
| 1915–16 ... | 245,000 | 41,000 | — | — | — | 286,000 |
| 1916–17 ... | 296,000 | 68,000 | — | — | — | 364,000 |
| 1917–18 ... | 361,000 | 122,000 | 84,000 | — | — | 567,000 |
| 1918–19 ... | 508,000 | 219,000 | 144,000 | — | — | 871,000 |
| 1919–20 ... | 548,000 | 512,000 | 224,000 | 23,000* | — | 1,307,000 |
| 1920–21 ... | 754,000 | 800,000 | 300,000 | 109,000 | 67,000 | 2,030,000 |
| 1921–22† ... | 1,202,000‡ | 1,042,000 | 404,000 | 100,000 | 67,000 | 2,815,000 |
| 1922–23 ... | 1,489,000‡ | 1,162,000 | 424,000 | 85,000 | 50,000 | 3,210,000 |

* Part year only.

† Exclus ve of non-recurrent expenditure totalling £220,000.

‡ In addition to capital grants of £45,000 in 1921–22 and £360,000 proposed for 1922–23.

With the exception of Welfare of the Blind, all these grants are percentage grants and the extremely rapid growth of this expenditure indicates the dangers attaching to that system. The percentages are non-Statutory, and should, we consider, be replaced by a system of block grants.

The Ministry of Health concur in the view that from an administrative point of view it would be a great saving to get rid of the percentage grants basis. They point, however, to the practical difficulty of finding a substitute for it.

We realise the difficulties, but if no more satisfactory unit basis for measuring grant can be arrived at, we suggest that the Government adopts the basis of previous expenditure, at any rate while the present financial stringency continues.

Apart from the system of grant, the amount must be considered for 1922/23.

*Tuberculosis* (*maintenance*) : £1,489,000 proposed by the Ministry of Health.

We suggest that the sum provided in 1921/22 should be repeated, viz., £1,202,000.

*Tuberculosis* (*capital*) : £360,000 proposed by the Ministry of Health.

We do not suggest any reduction. The explanation of the increase of expenditure on the Vote is that a capital sum, provided from the Old Sinking Fund of 1911 has now been exhausted.

*Maternity and Child Welfare:* £1,162,000 proposed by the Ministry of Health.

Here again we suggest that the sum provided in 1921/22 should be repeated, viz., £1,042,000.

*Venereal Diseases:* £424,000 proposed by the Ministry of Health.

We recommend that this sum be passed for 1922/23.

*Welfare of the Blind:* £85,000 proposed by the Ministry of Health.

No change proposed.

*Port Sanitation:* £50,000 proposed by the Ministry of Health.

Until recently this was entirely borne by the locality and we suggest that the Exchequer grant should cease.

SUMMARY of Effects of Committee's Recommendations on Public Health Grants.

| | Ministry's Proposal. | Committee's Recommendation. |
|---|---|---|
| | £ | £ |
| Tuberculosis (maintenance) ... | 1,489,000 | 1,202,000 |
| Tuberculosis (capital) ... | 360,000 | 360,000 |
| Maternity and Child Welfare | 1,162,000 | 1,042,000 |
| Venereal Diseases ... ... | 424,000 | 424,000 |
| Welfare of the Blind ... ... | 85,000 | 85,000 |
| Port Sanitation ... ... | 50,000 | Nil |
| | 3,570,000 | 3,113,000 |

We have dealt with these items, except Port Sanitation, in a manner which we believe, with falling prices and scrupulous economy, will not reduce the amount of undeniably valuable work being done. We consider that grants to Local Authorities or other Institutions should be given contingently upon no reduction in treatment, should be subject to review, and not be on a percentage basis.

## HEALTH INSURANCE.

| | £ |
|---|---|
| Expenditure— | |
| 1913/14 ... ... ... | 3,501,255 |
| Estimate— | |
| 1921/22 ... ... ... | 8,842,550 |
| 1922/23 ... ... ... | 7,802,000 |

In reviewing the position of National Health Insurance, we have been greatly impressed by the fact, not generally realised,

that very many and very costly alterations have been made in the original scheme on which the 1911 Act was based, and that, in the main, the Taxpayer has shouldered the burden, thus :—

(1.) Medical benefit, *i.e.*, the provision made for doctors and drugs, has been increased by successive steps from the original 6*s*. 6*d*. a head to 13*s*. 9*d*. a head, of which 4*s*. 3*d*. was at the sole expense of the Taxpayer and in addition to the normal State contribution which he as Taxpayer has also to provide. As from the 1st January next, the 4*s*. 3*d*. will be reduced to 2*s*. 9*d*., owing to the reduction of 1*s*. 6*d*. in the capitation grant.

(2.) It was found in practice that the sickness claims of women, especially married women, greatly exceeded the original actuarial estimate. The entire cost of remedying matters was put on the Taxpayer, a grant-in-aid of £350,000 a year, with retrospective effect being provided by the National Health Insurance Act, 1918. This grant is shown on the Vote of the National Health Insurance Joint Committee.

(3.) In 1917 fears, which subsequent events have shown to be quite groundless, were entertained that the finances of many Approved Societies would be disastrously affected by the War. By the Act quoted above all Societies were required to pay one-eighth of their normal provision for contingencies into a Central Fund, from which the weaker societies were to be assisted, if necessary. To this fund the Taxpayer has contributed £150,000 a year for five years, which, with the contributions from the Societies, has produced a Central Fund of £2,000,000, not a twentieth part of which has been required. Under an Act obtained in 1921 this particular grant has been suspended.

(4.) In 1920 benefits and contributions were both raised, but in addition to his share of the increased contributions the Taxpayer assumed full responsibility for a charge of £350,000 per annum in respect of the old Sanatorium Benefit, which up till then had been a charge on the Insurance Funds of the Approved Societies.

(5.) Under the head of Administration above reference has been made to the cost of Medical Referee Consultants and of the Index Clearance Scheme. It does not appear to us that the Taxpayer should be called upon to pay these charges of the administration of the Insurance Scheme, which is in itself thoroughly solvent.

We consider that a revision of Health Insurance finance will be necessary, and in any such revision the points to which we have called attention above should be considered. The variation in the conditions of the scheme could not lay the Government open to any charge of breach of faith, seeing that the original arrangements have so frequently been modified in the interests of the other parties thereto, especially in view of the ascertained surplus dealt with in the following paragraph.

*Position of Approved Societies.*

The recent Quinquennial valuation showed that as, on the 31st December, 1918, in addition to the Central Fund of £2,000,000 referred to in previous paragraph, the individual Approved Societies held surpluses amounting in all to £16,000,000, of which roughly £7,000,000 is held in reserve and £9,000,000 is at the disposal of the Societies for distribution in additional benefits, &c. This disposable surplus of £9,000,000 will in due course attract a grant of £2,600,000, being the two-ninths proportion of additional benefits payable by the State. These surpluses are largely due to the war. Owing to the inclusion in the National Health Insurance Scheme of members of all ages a reserve value for each member had to be created. As the original members die the necessity for creating a reserve value disappears and the large number of war casualties has consequently improved the financial position of the Funds of Approved Societies. At the same time the death of these men has placed a burden on the Taxpayer in respect of pensions to widows and other dependents. Neither have the Societies ad to incur additional expense as regards wounded men because they were recouped by the State in full any extra cost incurred in excess of what they would have had to pay in respect of an equal number of men under peace conditions, *i.e.*, they were entirely relieved of the special burden which War would otherwise have imposed on their funds, and, moreover, they reaped considerable benefits.

As a result of the various modifications of the 1911 Scheme indicated above, the estimated Exchequer cost of National Health Insurance for Great Britain in the current financial year is approximately £10,500,000. The provisional estimate for 1922/23 is about £9,200,000. This reduction has been brought about largely by a reduction of 1*s.* 6*d.* (11*s.* to 9*s.* 6*d.*) in the doctors' capitation fee as from the 1st January next.

While we note this reduction, we consider it is essential that the State's share of the Health Insurance burden should be further reduced by legislation.

This could be done by increasing the total contributions from employers and employed by $\frac{1}{2}d.$ a week in each case, and we recommend that this change be introduced on the 1st July next, before which date the contributions in respect of unemployed workers' dependants will have ceased. It would also permit of the abolition of the Exchequer grant for medical services, and we suggest that this should be considered. As the increase in contributions is suggested with a view to relieving the Taxpayer, we consider these contributions should not carry any State grant. We attach a memorandum from the Government Actuary on the subject (Appendix (B) ). The total saving to the Exchequer,

including Scottish Board of Health and Joint Committee, would be about £2,200,000 per annum.

## SUMMARY OF CONCLUSIONS.

As a result of our consideration, we are of the opinion:—

(1.) That both in policy and where administrative possibilities existed, successful efforts to economise have recently been made. We have indicated a few directions in which we think that further economies might be made. The principal items of this Vote appertain to the Housing schemes, which is entailing a cost to the Taxpayer of £10,000,000 a year for the next 60 years, and we recommend a vigorous policy of sale of these houses in order to reduce that burden.

(2.) That no financial incentive to economy is given to those who are entrusted with the administration of this vast property. Economies in administration and upkeep are entrusted to those who have no financial interest whatsoever in decreasing the loss on the undertaking they manage.

(3.) That as regards National Health Insurance, the State has progressively accepted additional burdens and additional costs when they occurred, and has not reaped any benefit from the "windfalls" which accrued to the funds of the Approved Societies as a consequence of the War. We think that, as soon as opportunity offers, such burdens should be transferred to the Insurance organisations, where they might well be compensated for, in part at any rate, by betterment in the actuarial position and that a very small increase in contribution should be imposed to meet the additional cost of medical and other benefits now borne by the State in excess of its proper share of two-ninths.

(4.) That as regards Public Health Services, e.g., Tuberculosis, Maternity and Child Welfare, there can be no question as to the merits of the objects to be attained. There has, however, been a very large increase in this form of public expenditure since 1918/19, and, while we do not recommend reductions in this expenditure, we do feel that, having regard to the present financial position, the State's contribution next year, at any rate, should not be above the figure provided for the current year. The contribution should be on a lump-sum basis, and not on a percentage basis. We hope that, with falling prices and the greatly increased incentive to economy, the authorities responsible for this form of activity will be able still further to increase their beneficial work.

**(5.) That in view of the whole circumstances, the Estimates of the Ministry of Health and National Health Insurance Joint Committee for the year 1922/23 should be reduced from £24,269,500 and £350,500 respectively to £22,100,000 in all, and that any necessary legislation be promoted to take effect not later than the 1st July, 1922. This reduction is apart from any savings which may accrue from the sale of houses.**

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## APPENDIX (A).

### Comparison of Estimates.

| | 1913–14 (Audited Expenditure). | 1921–22 (Estimate). | 1922–23 (Provisional Estimate). |
|---|---|---|---|
| *Ministry of Health.* | £ | £ | £ |
| Administration ... ... ... | 593,878 | 2,298,748 | 1,564,000 |
| Housing (recurrent) ... ... | — | 5,110,000 | 9,650,000 |
| Public health ... ... ... | 117,162 | 3,083,500 | 3,583,500 |
| Insurance ... ... ... ... | 3,501,255 | 8,842,550 | 7,802,000 |
| Gross ordinary services ... | 4,212,295 | 19,334,798 | 22,599,500 |
| Deduct appropriations-in-aid | 5,632 | 182,700 | 95,000 |
| Net ordinary services ... | 4,206,663 | 19,152,098 | 22,504,500 |
| *War Services.* | | | |
| Housing (non-recurrent) ... ... | — | 10,000,000 | 2,750,000 |
| Other ... ... ... ... | — | 43,000 | 15,000 |
| Gross total (war services) ... | — | 10,043,000 | 2,765,000 |
| Deduct appropriations-in-aid | — | 4,950,000 | 1,000,000 |
| Net war services ... ... | — | 5,093,000 | 1,765,000 |
| Net total services ... ... | 4,206,663 | 24,245,098 | 24,269,500 |
| National Health Insurance Joint Committee ... ... ... | 250 | 500,500 | 350,500 |

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# APPENDIX (B).

*Report by the Government Actuary on National Health Insurance.*

*Government Actuary's Department,*
*Wellington House, Buckingham Gate,*
*London, December 5, 1921.*

The Right Hon. Sir Eric Geddes,
G.C.B., G.B.E., M.P.

SIR,

1. In compliance with your request, I have considered various points affecting the charges borne by the State under the systems of National Health Insurance and Unemployment Insurance, and submit the following observations and suggestions.

## NATIONAL HEALTH INSURANCE.

*The present State Grants.*

2. Under the original scheme the contribution of the State, apart from the cost of central administration, took the form of a grant of two-ninths of the sums expended in payment of benefits and of the cost of administration.

In 1913 there was added to this charge a State grant in respect of that part of the cost of medical benefit which, under the settlement then arrived at with the medical profession, exceeded the provision made for such benefit in the actuarial basis of the Act.

In 1918 two further additions were made to the charge on public funds, namely, a grant to the Women's Equalisation Fund, established by the Act of that year to assist the societies in regard to their liabilities to married women, and a grant to the Central Fund set up at the same time to deal with the more serious valuation deficiencies.

The Act provided that the Women's Equalisation Fund should be maintained wholly by Parliamentary grants, and in the case of the Central Fund a grant of £150,000 a year was provided.

Under an Act obtained in 1921, this particular grant has been suspended in view of the large amount of the fund and the small amount of the claims at present falling upon it.

3. I understand that your Committee is desirous of finding means of relieving the Exchequer from the greater part of its special liability in respect of medical benefit. If this object be attained, the State charge in respect of the Women's Equalisation Fund will remain for the present as the only material addition to the original State grant of two-ninths of the expenditure. Present circumstances raise the question of the need for the maintenance of this charge; I deal with this question in a subsequent paragraph.

*The Cost of Medical Benefit.*

4. Taking up first the question of medical benefit, the statutory charge upon Insurance Funds for this benefit is 9*s*. 6*d*. a year for each insured person (Section 7 of the Act of 1920). The actual cost of medical benefit (which includes drugs and "mileage" allowances to doctors in certain circumstances) has recently been 13*s*. 9*d*. a year, the excess of 4*s*. 3*d*. over the sum charged to Insurance Funds being borne by the Exchequer. With the reduction of the capitation fee to doctors from 11*s*. to 9*s*. 6*d*. and other changes, this excess will be reduced to 2*s*. 6*d*. I understand that you propose that this 2*s*. 6*d*. shall be transferred to Insurance Funds.

*Pooling of Surpluses.*

5. I should not be justified in advising that the funds of approved societies could bear this extra burden without increase of contributions. It is true that in the last valuation period large surpluses were accumulated, but having regard to the influence of war conditions in the production of surplus, it cannot be assumed from this fact that there is any general redundancy in the contributions of which advantage might be taken. Collectively, no doubt, a substantial annual surplus can be expected under normal conditions, but the system provides for no collective responsibility as between societies. The surplus of each society is the property of the members of that society. It depends in amount upon the experience of the society, and this, in considerable measure, is often a matter of administration. Relatively to membership the surpluses vary widely, while in some cases there is no surplus at all. Resort to surpluses to meet a new general charge could only therefore be possible if a partial pooling of funds were adopted. This would amount to a fundamental change in the system of National Health Insurance, as laid down by the Act of 1911. It would impose a serious burden on particular classes of insured people, and would be difficult to justify.

*Extra Contributions.*

6. In these circumstances I am compelled to advise that if the charge upon approved societies for medical benefit is raised from 9*s*. 6*d*. to 12*s*., the necessary funds must be obtained by an increase of contributions.

7. If the additional contribution carried the normal State grant of two-ninths of the benefit accruing from it, an increase of one halfpenny a week would practically suffice. This would give on the general average nearly 2*s*. per insured person per annum, or, with the State grant, a fraction over 2*s*. 6*d*. a year. Whether the additional contribution should be borne by the employed or the employer is a matter for consideration; convenience would probably dictate that it should be paid by the employer.

8. It is, however, to be noted that with an increase of the contribution by one halfpenny a week the full desire of your Committee would not be realised, since the State would still be providing something over 6*d*. a week towards the transferred 2*s*. 6*d*. To meet this I am led to suggest the alternative course of increasing the contributions by 1*d*. a week, such amount not to carry any State grant. There is nothing in the present system which requires that every increase of contributions shall carry the State grant of two-ninths (or any other fraction) of the resulting benefits, and it is evidently futile to propose measures which, under another head, will add to the burden of the Exchequer a substantial part of the charge from which those measures are designed to relieve it. The amount produced by 1*d*. a week without State grant would be nearly 4*s*. a head, and I should recommend that 2*s*. 6*d*. of this be applied to medical benefit, leaving nearly 1*s*. 6*d*. to be utilised in other directions, possibly under Departmental supervision, in giving approved societies greater financial freedom than they possess at present to give effect to Section 21 of the Act of 1911, relating to power to subscribe to hospitals, dispensaries, &c., and to provide for nursing services.

9. In the event of the joint contribution being increased by 1*d*. a week it would be found advisable, I presume, to divide the amount equally between employer and employed. I do not overlook the practical difficulty that this might place upon some employers in respect of including a halfpenny in the net amount of weekly wages handed to the worker. This is, of course, a point for Departmental consideration.

*Women's Equalisation Fund.*

10. With reference to the Women's Equalisation Fund, the annual charge up to 1920 has been something over £200,000; with the increase of benefits, this charge may rise to £350,000 a year. If sickness experience, which is still subnormal, should rise to the average of the pre-war period, the cost will reach the full provision of 10*s*. a head for every married woman, and may easily prove to be over £400,000 a year.

Having regard to the other protective measures introduced by the Act of 1918, it appears to me that the need to continue this fund may properly be examined. It provides for certain risks arising among married women, but approved societies with women members are not the only societies subject to extra risks nor among insured women is the additional charge for married women the only special risk which has to be provided for. It may be argued with some force, therefore, that no particular reason exists for special recognition of this particular risk, at any rate if the recognition is to take the form of a grant from public funds exclusively.

I have endeavoured to form some opinion from the valuation results as to how societies would have stood under normal condi-

tions if this fund had not been created—remembering that in 1918 societies were given, in other directions, substantially more assistance than was proposed by the Departmental Committee which prepared the basis of the Act of that year. The problem is one of some difficulty, since it involves an estimate of the abnormal factors produced by the war. I have, however, formed the opinion that the grants from the Women's Equalisation Fund would not in any important case have been necessary to avoid deficiency. I am thus assisted in coming to the conclusion that if the societies, or the Department responsible for them, prefer to maintain a fund of this kind, there is no real reason for supporting it at the expense of the State. In regard to 50 per cent. of the income of the fund, the Departmental Committee recommended the pooling of a very small part of the contributions of insured women, and in the circumstances of the present time it would seem that if the Fund is to be kept it should be maintained on such a basis as this.

* * * * * * *

I am, Sir,

Your obedient Servant,

(Signed) ALFRED W. WATSON.

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## Chapter III.

### LABOUR.

In 1913/14 questions affecting Labour were dealt with by the Board of Trade, the expenditure, including the cost of the Labour Exchanges and the limited Unemployment Insurance Scheme then in force, being £948,475. Unemployment Insurance and general activities in connection with Labour matters have developed to an extent which renders a comparison between the cost then and now of little or no value.

The provisional Estimates for 1921/22, including Supplementary Estimates taken, and for 1922/23 are as follows :—

| | 1921/22. | 1922/23. |
|---|---|---|
| | £ | £ |
| Ordinary services ... ... | 11,982,101 | 9,779,200 |
| Services arising out of the war | 10,155,304 | 5,211,500 |
| Total ... ... | 22,137,405 | 14,990,700 |

It is by no means certain that the Estimate of £14,990,700 will be the final figure for 1922/23, as the staff in the Exchanges varies with the rate of unemployment. The above Estimate is based on

6 per cent. unemployment of the insured persons. The rate of unemployment is subject to the widest fluctuations; it was 2·6 per cent. in June 1920 and 23 per cent. in June 1921; at present it is about 15 per cent.

The analysis of the Vote is as follows :—

| — | 1913/14. | 1920/21. | 1921/22. | 1922/23. |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Administration of all Services... | 582,953 | 5,037,204 | 5,800,801 | 4,695,200 |
| Unemployment Insurance, &c... | 620,347 | 2,296,835 | 9,481,000 | 9,257,000 |
| Out-of-work donation, training and other expenses arising out of the war ... ... ... | — | 20,707,502 | 10,655,304 | 5,386,500 |
| | 1,203,300 | 28,041,541 | 25,937,105 | 19,338,700 |
| Deduct appropriations-in-aid | 254,825 | 1,253,838 | 3,799,700 | 4,348,300 |
| Net total ... ... ... | 948,475 | 26,787,703 | 22,137,405 | 14,990,400 |

ADMINISTRATION OF ALL SERVICES.

Cost of Administration (Estimate)—

| | £ |
|---|---|
| 1921/22 ... ... ... ... | 5,800,801 |
| 1922/23 ... ... ... ... | 4,695,200 |

This heading includes the cost of staff in the Headquarters Office, the Record Office at Kew, and the staff of the Employment Exchanges.

The total staff in April 1922 is estimated to amount to :—

| | |
|---|---|
| Administrative and clerical— | |
| Permanent ... ... ... ... ... | 9,283 |
| Temporary ... ... ... ... ... | 7,990 |
| | 17,273 |

The numbers actually employed, however, in August, 1921, were 26,847, of which 6,241 were permanent employees, and it is difficult to believe that the staff will be reduced by April, 1922, to the estimated figure which is based on 6 per cent. unemployment.

Whilst showing a reduction in total staff it will be observed that the Ministry propose to increase their permanent staff from 6,241 in August, 1921, to 9,283 in April, 1922. We do not consider a period of exceptional unemployment as the most appropriate for settling a permanent establishment, and strongly deprecate any addition to the permanent staff at the present time.

The organisation of the Ministry has already been the subject of investigation by several Committees, namely, the Peel Committee, appointed by the Cabinet in 1920 to consider the staffing

of the whole Ministry; the Barnes Committee in the same year on the working and administration of the Employment Exchanges; and an Inter-Departmental Committee in 1921, which reported on the establishment at Kew which deals with the Claims and Records of Unemployment Insurance. Each of these Committees suggested certain possible improvements in organisation, but, generally speaking, they were not able to report that any large block of work could be dispensed with, nor suggest any change of procedure which would secure substantial economies. There was, however, a minority report to the Barnes Committee Report signed by Sir Charles Sykes.

There are two Departments of the Ministry to which special reference is called :—

*Industrial Relations Department.*

The staff of the Industrial Relations Department of the Ministry numbers 97, some 38 of whom are located in various industrial areas. The original Estimate put forward by the Ministry for 1922/23 anticipated an expenditure in this Department of £87,100, but, since our discussion with the Ministry, it is found that this Estimate can be reduced to £65,716. The original Estimates averaged nearly £636 per person employed on this work; but it has been pointed out to us that work of this nature, if it is to be undertaken at all, must be in the hands of men of wide industrial experience and possessing tact to a considerable degree.

A question of policy here arises : how far the Government is to continue to assume responsibility and intervene in trade disputes.

The Minister of Labour explained to us that he regarded the main function of this Department to be one, not of intervention in trade disputes, but of avoidance of stoppage of trade by timely action when dislocation is threatened. With the knowledge that in the end there will be Government intervention neither side will have the same incentive to make the final proposals which might lead to a settlement of the dispute, and we suggest that the discontinuance of this branch of activity should be considered by the Government.

*Trade Boards Division.*

Another department of the Ministry is the Trade Boards Division, which has a staff of 126 at an annual cost of £34,785. Trade Boards were set up with the object of dealing with conditions of employment, especially in sweated industries, but they now deal with unorganised industry generally. The working and effects of the Trade Boards Acts are at present under consideration by Lord Cave's Committee, and, pending receipt of their report, we do not make any recommendation.

## EMPLOYMENT EXCHANGES AND UNEMPLOYMENT INSURANCE.

*Employment Exchanges.*

Labour Exchanges (now called Employment Exchanges) were established under "The Labour Exchanges Act, 1909," their duties being what their name implies, to bring the unemployed workman and the employer seeking labour into contact. When the Unemployment Insurance scheme was launched under "The National Insurance Act, 1911," the Labour Exchanges became the agency through which that scheme was managed, while still carrying on their original functions.

*Unemployment Insurance.*

The National Insurance Act of 1911, even as extended during the War to munition workers, only applied to 3,750,000 people. The scheme was, for some time after the Armistice, overshadowed by Out-of-Work Donation. In the Autumn of 1920 the scope of the scheme was very much extended, no section of workpeople other than those engaged in agriculture and domestic service and certain industries with a low rate of unemployment, *e.g.*, Government Service and Railways, being left outside the scheme. The number of insured workpeople was in this way increased to 12 millions.

A short summary of the various Acts affecting Unemployment Insurance is given in Appendix (A). Owing to the long period of good employment following the introduction of the scheme in 1911 the Insurance Fund accumulated over £20,000,000; but with the increased benefit and the largely increased number of beneficiaries entering at a time of serious depression this money has been exhausted, and the Treasury are now having to advance funds. Up to the present, £6,500,000 have been so advanced, and the Treasury have Parliamentary authority to advance money up to £20,000,000 in order to enable the Fund to meet its obligations.

The present rates of contribution have been fixed at a level which, on the basis of figures of probable unemployment supplied to him, the Government Actuary anticipated would produce a solvent fund by July, 1923, at which date the question of a revision of contributions or benefits will have to be considered.

By the recent Unemployment Workers' Dependants (Temporary Provisions) Act, additional contributions are levied for the purpose of paying special benefits to the dependants of married workers. This scheme, which is to expire in May, 1922, is financed independently of the Unemployment Fund proper and will impose on the Vote charges of £2,192,000 in 1921/22 and £670,000 in 1922/23. We do not discuss the matter in detail as we are informed that the measure is an expiring one.

The cost to the Taxpayer of Unemployment Insurance and Employment Exchanges (excluding the cost of the recent Unemployed Workers' Dependants Act) since 1912/13 is as follows :—

| | Administrative Cost (gross).* | Appropriation from Unemployment Fund. | Net Charge to Exchequer on Account of Administration. | Government Contribution to Fund. | Total Charge to Votes. |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| 1912/13 ... | 640,000 | 151,000 | 489,000 | 378,000 | 867,000 |
| 1913/14 ... | 769,000 | 246,000 | 523,000 | 602,000 | 1,125,000 |
| 1914/15 ... | 764,000 | 227,000 | 537,000 | 546,000 | 1,083,000 |
| 1915/16 ... | 834,000 | 231,000 | 603,000 | 538,000 | 1,141,000 |
| 1916/17 ... | 905,000 | 329,000 | 576,000 | 746,000 | 1,322,000 |
| 1917/18 ... | 1,168,000 | 445,000 | 723,000 | 1,007,000 | 1,730,000 |
| 1918/19 ... | 1,950,000 | 455,000 | 1,495,000 | 994,000 | 2,489,000 |
| 1919/20 ... | 3,613,000 | 459,000 | 3,154,000 | 912,000 | 4,066,000 |
| 1920/21 ... | 4,593,000 | 1,115,000 | 3,478,000 | 2,200,000 | 5,678,000 |
| 1921/22 ... | 6,039,000 | 3,250,000 | 2,789,000 | 6,720,000 | 9,509,000 |
| 1922/23 ... | 5,020,000 | 4,150,000 | 870,000 | 8,231,000 | 9,101,000 |

In the Unemployment Insurance Acts there are two provisions which in our opinion increase the cost of administration unduly, viz. :—

(*a.*) The refund to an insured person of the balance standing to his credit, with compound interest, on his reaching the age of sixty.

(*b.*) The provision, temporarily suspended owing to the great influx of new members, that benefit is definitely limited in the proportion of one week's benefit to six contributions.

We feel that these two provisions in effect prevent Unemployment Insurance being really a Mutual Insurance in so far as the worker is concerned. They were doubtless necessary at the time that Unemployment Insurance was introduced, as the public mind was not accustomed to the idea, and at that time, without experience of the administration of an Unemployment Insurance Scheme, the disadvantages could not be fully foreseen. This was of far less importance in the original Scheme, as it never applied to more than 3,750,000 people. With a large increase in numbers, it may well be that administration becomes so unwieldy that modifications are called for.

From the reports of the Committees which have investigated the working of the Department, and, indeed, from our own examination of the officials, we do not think that there is much room for minor administrative economies. Reductions can only

* Including Ministry of Labour Administrative Staff, payments to Associations and expenditure borne on other Votes for buildings, rates, stationery and postage.

be looked for by a modification and simplification of the system consistently with the maintenance of the solvency of the Fund.

The present system involves a separate ledger account for each of the 12,000,000 insured persons, and complicated returns from every Exchange in order to keep separate, over the whole period of insurance, the contributions and benefits of each individual who, in so far as his own contributions are concerned, is only insuring himself, with the aid of his employer and the State, and is not really a member of a Mutual Insurance Scheme.

Another factor contributing to excessive administrative cost is the need to keep an account in being for each person for five years after he has left an insured occupation, and if he re-enters within that period to link up his new card with his old account. We are told that cases of this kind are numerous.

Discrepancies between the insurance card and the account at Kew either in names or registered numbers cause considerable work, and in a year well over half a million such cases arise.

The insured person has to rely on the accuracy of Headquarters records, and if each insured person asked for copies of his account the administrative machine would become much more costly. At the present time the staff in the Claims and Record Office at Kew numbers 3,745, costing £673,000 per annum.

Our view that the scheme can be much improved from the administrative point of view is confirmed by a report from Sir Alfred Watson, the Government Actuary, which is attached (Appendix (B) ).

We realise that this question is very far-reaching, and that no steps should be taken without the fullest investigation, and we recommend that a Committee of experts should be appointed forthwith to investigate and report on the best method of realising the administrative economies outlined above. Such an enquiry should also cover the possibility of amalgamating Unemployment and Health Insurance, or at any rate utilising the same machinery with a view to reduction of the administration costs. With the extension of Unemployment Insurance there seems to be abundant justification for investigating the possibility of combining cards, records and administrative staffs for Unemployment and Health Insurance.

We think that the suggested Committee should also explore the possibility of placing Unemployment Insurance on the basis of Insurance by Industry.

If such schemes could be widely adopted the work remaining would be considerably reduced, and this seems to us to be the only effective way of reducing the vast expenditure on Employment Exchanges. They are popular neither with employer nor employee, and their continued existence practically depends on their work in connection with Unemployment Insurance, but so long as the present scheme is continued we see the necessity for their retention in order to protect the Fund from improper claims. We think, however, that they ought to be abolished, and probably could be abolished after some such enquiry and modification as we have suggested.

*Payments through Associations.*

Insurance benefits from the Fund are now paid in certain cases through the medium of Associations such as Trades Unions. These payments are made under Section 17 of the Act of 1920, and the Unions receive 1*s.* for administration expenses for every week's benefit they pay out. Unfortunately, from a variety of causes this procedure, instead of reducing the cost to the Tax-payer as originally anticipated, actually increases it, and the payments to the Unions for these services amounted to £500,000 in 1921/22.

Unless a more complete scheme whereby each industry would look after its own unemployed can be introduced in the near future, the present arrangement should be reviewed.

## SERVICES ARISING OUT OF THE WAR.

These services are for the most part concerned with the professional training of ex-officers and men of a fairly high standard of education, the industrial training of disabled ex-service men and some miscellaneous services such as grants for resettlement of men in business.

We have considered details of the various schemes which are not set out at length for the reason that it appears that the majority are moribund, *i.e.*, the last date of application is past, and such expenditure as will fall on 1922/23 represents the working off of obligations already undertaken by the Government which could not be abandoned without a very serious breach of faith to individuals. The position of the scheme for the industrial training of disabled men stands in a somewhat different position from the others. The last date for application in Great Britain (31st October, 1921) is past, but there is still on the books of the Ministry of Labour a very large waiting list of approximately 30,000 men who are eligible for training but have not yet commenced training.

The numbers actually undergoing training are as follows :—

| | |
|---|---|
| In Government instructional factories ... ... | 10,475 |
| In employers' works ... ... ... ... | 7,264 |
| In technical, &c., institutions ... ... ... | 4,638 |

There are forty-eight Government factories having accommodation for training 16,000 men.

The men during training receive very generous allowances. Whatever may be the level of their disability pension it is raised to the pension which the man would have been entitled to if he had been totally disabled, and allowances for wife and children are also paid : further, if away from home, accommodation in a hostel is provided or allowance paid in lieu thereof. In many cases the man receives more than the minimum wage to which he will be entitled when fully trained, and we think that without injustice the allowances are capable of some revision.

The great majority of men in training are men disabled during the war, but a certain number of fit men have been included in the scheme of training.

Obviously the Government never intended nor could they be expected to find training for all fit men, and we recommend that no further fit men should be entered for training, which would give, up to the termination of the scheme, a saving of £500,000.

These savings cannot all materialise in the next financial year, but the recommendations of the Committee would tend to hasten the day when the expenditure under these schemes will come to an end.

## SUMMARY OF CONCLUSIONS.

**As a result of our consideration, we are of opinion:—**

**(1.) That so long as Unemployment Insurance is on the present basis, Employment Exchanges are required as agencies for checking payments of Unemployment Insurance benefits, not as labour exchanges.**

**(2.) That the present Unemployment Insurance Scheme is only partially a mutual insurance scheme, and is very complicated and costly to administer on that account.**

**(3.) That a Committee of experts should be set up forthwith, with a view to simplifying the Unemployment Insurance Scheme, amalgamating Unemployment and Health Insurance cards, records, and, as far as possible, administration, and exploring the possibility of developing Unemployment Insurance by industry.**

**(4.) That the scope of the Industrial Relations Department should be considered as also the work of the Trade Boards Division after receipt of the Report of Lord Cave's Committee, and that their transfer to the Board of Trade should also be considered.**

**(5.) That subject to (3) and (4) the abolition of the Employment Exchanges and of the Ministry of Labour should be considered.**

**(6.) That as regards Services arising out of the War, which are rapidly drawing to a close, there are directions where economies representing some £500,000 might be effected.**

**(7.) That owing to the uncertainty which prevails at the present time and the direct bearing on this Estimate of the rate of Unemployment, the sum available for 1922/23 cannot be reduced below the amount shown in the preliminary Estimates.**

The quantum of State and community contribution to Unemployment Insurance is not reviewed, as it has recently been before the Government and requires no elucidation, and has been increased for a limited period.

# APPENDIX (A).

## Summary of Unemployment Insurance Legislation.

### I.—Acts which have been Repealed.

#### 1. *Part II of National Insurance Act*, 1911.

*Scope of Scheme.*

The Act applied to all parts of the United Kingdom and provided compulsory insurance against unemployment in seven groups of trade, namely, Building, Construction of Works, Shipbuilding, Mechanical Engineering, Iron Founding, Construction of Vehicles, and Saw Milling.

*Contributions.*

| | |
|---|---|
| Employer ... ... ... ... ... | $2\frac{1}{2}d.$ |
| Workman ... ... ... ... ... | $2\frac{1}{2}d.$ |
| State ... ... ... ... ... ... | $1\frac{2}{3}d.$ |

The State contribution was thus $\frac{1}{4}$ of the whole.

*Benefits.*

7*s.* a week, subject to two limits, namely—
(*a.*) Not more than 15 weeks in 12 months; and
(*b.*) One week's benefit for every five contributions paid.

*Waiting Period.*

No benefit during the first week of unemployment.

*Other Points.*

The workman had to satisfy certain tests showing his connection with the trade in the past.

The primary condition for drawing benefit was to be capacity for work and inability to obtain suitable employment.

Indirect payments of benefit through Associations was provided for as well as a State Subsidy to Associations giving benefit outside the scope of the insured trades.

#### 2. *National Insurance (Part II Amendment) Act*, 1914.

Benefit can only be given on proof of payment of ten contributions.

Other amendments on points of detail.

#### 3. *National Insurance (Part II Amendment) Act*, 1915.

Applied the Acts to persons working *temporarily* outside the United Kingdom.

#### 4. *National Insurance (Part II Munition Workers') Act*, 1916.

Extended the Acts to Munition Workers.

5. *National Insurance (Unemployment) Act*, 1918.

Gave power to the Minister of Labour to exclude any of the trades comprised in the previous Act from the operation of that Act.

6. *National Insurance (Unemployment) Act*, 1919.

Increased the rate of benefit from 7*s*. to 11*s*.

*Summary of Repealed Acts.*

The number of persons insured under the above Acts was about three and three-quarter millions, and the accumulated funds prior to the gratuitous distribution initiated in March, 1921, by Act No. 9 below, but consisting almost entirely of accumulations under the above Acts, amounted to approximately £20,000,000.

II.—Acts still Wholly or Partially in Operation.

7. *Unemployment Insurance Act*, 1920.

*Scope of Scheme.*

Compulsory insurance was extended to all trades except agriculture and private domestic service and to all non-manual contracts of service at remuneration not exceeding £250 a year with the exception of certain employments which are, by their nature, practically permanent, such as railway service. Persons proving possession of an unearned income of £26 per annum can also be exempted. The number of persons insured is estimated to have been increased by this Act from three and three-quarter millions to 12,000,000.

*Contributions* (since changed).

| | |
|---|---|
| *Men*— | |
| Employer ... ... ... ... ... | 4*d*. |
| Workman ... ... ... ... ... | 4*d*. |
| State ... ... ... ... ... | 2*d*. |
| *Women*— | |
| Employer ... ... ... ... ... | 3½*d*. |
| Woman ... ... ... ... ... | 3*d*. |
| State ... ... ... ... ... | 1⅔*d*. |

*Benefit* (since changed).

15*s*. men and 12*s*. women.

Subject generally to the limits imposed by—

(*a*.) Not more than 15 weeks in a year.

(*b*.) One week's benefit to every *six* contributions.

*Waiting Period*.—Three days.

*Further Points.*

Short-time working does not entirely preclude benefit in respect of days of unemployment.

Indirect claims, *i.e.*, payment of benefit from Associations, are authorised, together with the payment to the Association towards its expenses not exceeding 1*s*. per week of benefit.

Contracting out of industries by means of special schemes is provided for.

Contributions and benefits cease to be payable on a contributor becoming entitled to Old Age Pension.

After the age of 60, a contributor or his personal representative may be repaid the balance of his contributions after deduction of the amounts drawn as benefit with compound interest.

### 8. *Unemployment Insurance (Temporary Provisions Amendment) Act*, 1920.

Further facilitated the drawing of benefit by new entrants in the first few months of the new system by substituting up to 31st March, 1921, proof of employment in an insured trade in 10 weeks since 31st December, 1919, or 4 weeks since the 4th July, 1920, for the 4 contributions required under the temporary provisions of the preceding Act. The other conditions of benefit remained unaltered.

### 9. *Unemployment Insurance Act*, 1921.

*Scope of Scheme.*

Unaltered, but a new claimant is regarded as insured if he can prove 20 weeks' employment in an insured trade since the 31st December, 1919, with still easier tests for ex-service men, and, subject to the discretion of Local Employment Committees, no test at all for disabled ex-service men.

*Benefit.*

Raised to 20*s*. men and 16*s*. women, and limits entirely varied as follows :—

Two special periods, from the 3rd March, 1921, to 2nd November, 1921, and from the 3rd November, 1921, to 2nd July, 1922, were created, under each of which 16 weeks' free benefit was allowed *regardless of contributions* (*i.e.*, one in six rule suspended for the period in question). As a permanent arrangement, the limit to benefit of 15 weeks in the year, contained in both the Act of 1911 and that of 1920, is replaced by one of 26 weeks, but without prejudice to the special periods.

*Contributions* (further increases)—

| | |
|---|---|
| *Men*— | |
| Employer | 6*d*. |
| Man | 5*d*. |
| State | $2\frac{3}{4}d$. |
| *Women*— | |
| Employer | 5*d*. |
| Woman | 4*d*. |
| State | $2\frac{1}{4}d$. |

The State proportion is thus one-fifth of the whole.

*The increases, both of benefit and contribution, were to cease on the 1st July, 1923, when, in this respect, Act No. 7 revives.*

*Other Points.*

The funds to provide for this distribution of benefit over and above the accumulated £22,000,000 under the earlier Acts and apart from current contributions, were provided by a Section authorising Treasury advances, if necessary, up to £10,000,000.

9. *Unemployment Insurance (No. 2) Act*, 1921.

This Act provided for restoration of solvency to the Unemployment Fund, which had been impaired by the previous Act, coupled with the long continued and general unemployment. It came into operation on the 1st July, 1921.

*Benefit.*

Reduced to 15*s.* men and 12*s.* women, during the deficiency period, *i.e.*, until the Treasury declare the Unemployment Fund to be again solvent.

Waiting period increased to six days.

*Contributions.*

For the deficiency period, or till the 1st July, 1923, whichever is the later, contributions to be—

| | |
|---|---|
| *Men*— | |
| Employer ... ... ... ... ... | 8*d.* |
| Man ... ... ... ... ... ... | 7*d.* |
| State ... ... ... ... ... ... | 3¾*d.* |
| *Women*— | |
| Employer ... ... ... ... ... | 7*d.* |
| Woman ... ... ... ... ... | 6*d.* |
| State ... ... ... ... ... ... | 3¼*d.* |

State contribution was thus kept to one-fifth of the whole.

The two special periods under the last Act were preserved and the Minister of Labour was given power to increase any individual's benefit from 16 weeks to 22 weeks in each of these periods.

*Other Points.*

Power to contract out by new special schemes was suspended during the deficiency period.

The authorisation of Treasury advances, if necessary, is increased to £20,000,000.

10. *Unemployed Workers' Dependants (Temporary Provision) Act*, 1921.

This Act establishes a distinct Fund, the Unemployed Workers' Dependants Fund.

*Benefits.*

While entitled to benefit under the principal Acts, an unemployed worker receives, in addition, 5*s.* a week in respect of a wife or housekeeper, or, in the case of a woman, an incapacitated husband, and 1*s.* a week in respect of each dependent child.

*Contributions.*

| | |
|---|---|
| *Men*— | |
| Employer ... ... ... ... ... | 2*d.* |
| Man ... ... ... ... ... ... | 2*d.* |
| State ... ... ... ... ... ... | 3*d.* |
| *Women*— | |
| Employer ... ... ... ... ... | 1*d.* |
| Woman ... ... ... ... ... | 1*d.* |
| State ... ... ... ... ... ... | 2*d.* |

*Other Points.*

The Act came into operation on the 10th November, 1921, and continues for six months, subject to prolongation, as regards the payment of contributions, if the Treasury and Minister of Labour certify that this is necessary to meet a deficiency in the Fund.

The expenses of administration are to be met from the Fund itself.

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## APPENDIX (B).

*Report by the Government Actuary on Unemployment Insurance.*

*Government Actuary's Department,*
*Wellington House, Buckingham Gate,*
*London, December* 5, 1921.

The Rt. Hon. Sir Eric Geddes,
G.C.B., G.B.E., M.P.

Sir,

1. In compliance with your request I have considered various points affecting the charges borne by the State under the systems of National Health Insurance and Unemployment Insurance, and submit the following observations and suggestions.

* * * * * *

### Unemployment Insurance.

*The Reasons for Central Accounting.*

11. I understand that one of the points which impresses your Committee in regard to Unemployment Insurance is the system of central accounting under which a separate ledger account is kept for each worker during the whole period of his insurance, and for five years afterwards. This entails the maintenance at present of fully twelve million accounts and the number must constantly

increase for a long period. The necessity for these accounts arises from two features of the scheme :—

(*a*) The provision that when an insured person reaches the age of 60 he shall be entitled to a refund of the excess of his own contributions over the benefits he has received, with compound interest;

(*b*) The provision restricting unemployment benefit to one week for every six contributions paid.

*The Refund System.*

12. It must, I think, be admitted that (*a*) is inconsistent with a sound insurance scheme. It involves the proposition that an insured person who is fortunate enough to have no occasion to make a claim can have his premium back, and therefore makes the system a mixture of insurance and banking. But a scheme of insurance is an expression of mutual effort, while the banking of money is individual saving. The two principles are fundamentally different and a scheme which professes to be based on both of them cannot be regarded as one of true insurance.

The refund section first appeared in the Act of 1911 and when the Bill of 1920, providing for the wide extension of Unemployment Insurance, was introduced this provision was omitted. It was, however, reintroduced by an amendment made as the Bill was going through Parliament. It was considered, I presume, that the inclusion of such a provision softened what some regarded as a hardship, namely, the application of a flat rate of contribution to classes of insured people subject to less than the normal risk of unemployment. But if such were the motive the action taken was, I think, illogical, since the provision is not one for a class but for individuals, and has no relation to the question of the relative risks of whole classes. In any event the case of special classes has been substantially met by providing that particular industries may set up schemes of insurance of their own.

If this provision were eliminated it would not only relieve administrative burdens at the present time, but it would obviate considerable additions to those burdens when in the lapse of years the refunds became numerous. Beyond this it would release about 3 per cent. of the income of the Fund, under normal conditions, this being the proportion of the contributions which I estimate should be put into reserve to meet the growing liability for refunds.

If a change in the law is to be made in this respect the necessary action should not be long delayed, since otherwise vested rights will grow up and will be difficult to disturb.

*The " One-in-Six " Rule.*

13. With regard to (*b*) the restriction of benefits to one week for every six contributions paid appears hitherto to have been regarded as an essential feature of a national scheme under which large numbers of irregularly employed people are brought into

insurance. The provision is not based on Trade Union practice and first made its appearance in the Act of 1911, which provided for one week's benefit for every five contributions paid. The provision is at present suspended, in view of the fact that severe unemployment set in before the great majority of insured persons had any material number of contributions to their credit. I am satisfied, however, that it provides an important check on undue claims and that its importance will be increased when an amendment made by the Act of 1921 comes into force and benefit becomes payable for 26 weeks in an insurance year instead of for 15 weeks as hitherto provided.

While I recognise the importance of the purpose served by the rule I see no objection on actuarial grounds to the substitution of some other effective method of controlling the claims of individuals by reference to their general employment records.

*Possibilities of Dispute.*

14. There is one feature, common to both the refunds and to the practical application of the one-in-six rule, that seems to me to predicate serious future difficulty. In each case the rights of the insured person depend upon the state of his account which is kept by the Ministry of Labour and which he has no means of checking. I understand that there are administrative arrangements under which an insured person can at any time obtain a copy of his account without charge, and it is probable that insured persons endowed with wholly abnormal carefulness apply for annual statements and preserve them. But it is undoubtedly the fact—and from the point of view of the cost of central administration it is fortunate that it is the fact—that, in general, the vast majority of the twelve million insured persons take no action of the kind, have therefore no record of their position, and when the scheme is working normally will be wholly dependent upon the Ministry as to their benefit rights. This appears to me to raise very serious issues. It is useless to say in reply that the fault is with the insured. The workers of the country are compelled by law to contribute to the unemployment funds, and they ought to be entitled to receive their benefits under a system by which the normal man can satisfy himself that when his benefit stops it stops rightly. This is certainly not the case under the present system.

*Other Complications of the Present Scheme.*

15. Certain other features of the present system of unemployment insurance seem to me to add materially to the cost of central administration and to call for review in connection with any new proposal. The first of these is the need to keep an account in being, for each insured person, for five years after he goes out of insurance, and, if he re-enters insurance within that period, to link up his new card with his old account. It appears to me

that as time goes on this will be a heavy undertaking. Every entry into insurance of a person of over 16 years of age will raise the question whether the person may have previously been insured, even if there is no explicit statement to that effect. If a previous period of insurance has to be assumed, the question will then arise as to when it ended. It may have ceased more, or less, than five years ago. If more, the old account is dead and no further action is required; if less, the account must be reopened and the new contributions carried to it. Considering the migrant character of large sections of the people, it seems to me that in course of years the obligation to carry out these operations must be onerous and costly.

16. Another difficult feature is the procedure entailed in connecting the card of each insured person with his account in cases of discrepancy in names or register numbers. From enquiries I have made I understand that well over half a million cases arise (from various causes) in each year in which the connection of card and account cannot immediately be made and a search has to be instituted. For this purpose and for the one mentioned in the last paragraph, an alphabetical index to the whole insured population is being constructed, and includes such identifying details as date of birth. I understand that in operation this index is very successful, but the amount of work which is entailed in its maintenance and use must be very great. I assume that similar difficulties are encountered by the approved societies, and I am prepared to believe that they do not overcome them so successfully as does the Ministry of Labour. But with the aid of their agents they succeed in dealing with them substantially, and if, as I suggest in the next paragraph, a single card existed for both forms of insurance, this matter might evidently be left to the societies.

*A Single Card for Health and Unemployment Insurances.*

17. It is a striking fact that since the Unemployment system was extended the contribution record of each of 12,000,000 people under compulsory insurance has been practically duplicated, the approved society keeping one account (since practically every worker insured against unemployment is also insured on the Health side) and the Ministry of Labour keeping the other. In my opinion, such administrative arrangements should be attempted, by co-operation, as to secure that one only of these records need be maintained, and with this, one contribution card used, instead of two. On the latter point, it is right to say that the Ministry of Labour proposed in 1919 that statutory powers should be obtained for the use of a joint card, but the proposal met with objection in certain quarters and was not pursued.

18. If these suggestions were adopted the contribution record of each person insured under both schemes would necessarily be kept by the approved society (or by the Ministry of Health in respect of the numerically small class of deposit contributors)

and the title of the insured persons to unemployment benefit, so far as this depended on contributions paid, would be established, therefore, from the books of his approved society. This would necessitate the issue of certain certificates by the approved societies to insured persons out of employment. It does not appear that approved societies could be charged with any greater responsibility than this in respect of the payment of unemployment benefit; as at present constituted, they cannot be regarded as qualified to deal with the other points arising on entitlement to benefit.

*Suggestions for the Rearrangements of Unemployment Benefit.*

19. The primary object of any rearrangement of unemployment benefit will be to avoid the need to maintain a record of an insured person's contributions and benefits going back over the whole period of his insurance. In the case of Health Insurance, it is only necessary to refer to the previous year's contribution record to determine the benefits due when a claim arises. The duration of benefit is not affected in any case, save those of total suspension, but the weekly rate (for either sickness or disablement benefit) varies according to the contributions paid. Under the Unemployment system the weekly rate always remains the same; the variant is the number of weeks for which the benefit is payable. It is possible that, in principle, this particular method is more suitable than the Health system to the conditions in which unemployment benefit is payable, and my recommendations are based on the assumption that it will be retained. I submit the following scheme for examination :—

(*a.*) The maximum number of weeks of unemployment benefit payable in any " insurance year " to be 15.

(*b.*) The qualification for the maximum benefit to be the payment of 135 contributions in the three previous " contribution years."

(*c.*) The number of weeks of benefit to diminish by 1 for for each 5 by which the total number of contributions paid falls short of 135.

Thus a person with 120 contributions to his credit in respect of the previous three years would be entitled in the year to 12 weeks of benefit instead of 15; a person with 90 contributions would be entitled in the year to 6 weeks' benefit; and so on, any fraction of 5 in the shortage of contributions counting as a complete 5.

Provisions would be necessary to meet the case of insured persons who became unemployed within the first three years of insurance, and to deal with the case of persons who are so irregularly employed that no scheme which is to be just to the regular worker could provide them with material benefits. The question whether weeks of incapacity for work through sickness or disablement should rank as weeks for which contributions

have been paid—as is the practice under the National Health Insurance system—should also be considered.

It would be for consideration whether the insurance year should run from July to June, thus corresponding with the present "insurance year" for unemployment purposes and with the contribution year of National Health Insurance, or whether it should coincide with the calendar year, which is the "benefit year" under the Health Insurance system. If the latter were adopted some administrative advantage would be secured, but it would be necessary to provide for a "stand-off" period of, say, three months before benefit having once been exhausted could be resumed. As unemployment is at a minimum in the summer, this point is of less importance if the insurance year ends in June than if it ends in December, though, as a matter of principle, the question should be considered whenever the year ends. Under the present system a person, with the requisite number of contributions to his credit, who falls out of work in March and remains unemployed for 31 weeks, can draw benefit for 30 weeks continuously, *i.e.*, 15 weeks in the insurance year ending in July and 15 weeks in the next year. From the financial point of view, the soundness of this is doubtful, while clearly it tends to inequality of treatment as between one insured person and another.

20. It is evident that a considerable number of points must arise in filling out the details of any new scheme. These obviously require the attention of administrative officers, and I do no more than to indicate the general range of such of the problems as present themselves to me.

21. I recognise that under a scheme of the kind here suggested certain of the insured might at times, or even regularly in certain cases, obtain a greater amount of benefit than is possible under the operation of the "one-in-six" rule. It is, however, open to question whether this would necessarily be a disadvantage. It is a small element to be taken into account in resettling the contributions—a matter which must in any case arise when the end of the present abnormal conditions comes in sight.

22. I contemplate that, under the scheme suggested, the insured person on first becoming unemployed in the insurance year (and within the six "waiting days") would obtain from his approved society a certificate in prescribed form as to the number of his contributions during the three previous contribution years. He would then deposit his certificate with the local unemployment office and it would be valid for the remainder of the insurance year. The insured person would be able to test its accuracy by reference to the contribution record card which every society is bound to supply to its members, and, on presentation, to post up yearly. In this respect the machinery for avoiding disputes as to an insured person's benefit rights already exists. The certificate would, of course, be subject to audit, and questions as to the right of inspection of societies'

contribution records, and of the responsibility of societies for inaccurate certificates would have to be considered. It is obvious, moreover, that suitable arrangements for the remuneration of societies would have to be made.

*Central Accounting under the System Proposed.*

23. In view of the migrations constantly taking place, and specially in order to protect the Fund from imposition, I think that the benefit record of each insured person relating to each insurance year would have to be kept centrally. So long as the benefits paid are subject to limits and are charged upon a common fund, this amount of central accounting seems to me unavoidable.

24. Subject to the points I have mentioned for consideration in detail, and to any similar points that may arise upon examination, the suggestions I make appear to me to hold out the promise of material simplification while complying with the canons of a sound scheme of unemployment insurance. A single card would obviously effect a great saving to employers, to the Post Office, to the Stationery Office and to the Labour Exchanges.

*Unemployment Insurance by Industries.*

25. The question of providing unemployment insurance on an industry basis has been frequently raised, but I am not aware that it has been closely examined. I speak on this matter with some reluctance, therefore, but it appears to me that the difficulties of defining and delimiting industries for the purpose in hand, and of deciding the particular industry to which a particular insured person is attached—especially at the critical time at which he is unemployed and requires benefit—call for authoritative investigation before a useful opinion can be formed as to the practicability of the project.

As regards the great number of persons employed in highly organised industries, schemes of insurance might, no doubt, be readily arranged, and indeed for such the Act of 1920 provides facilities of which those concerned may avail themselves when the statutory suspension enforced by present abnormal conditions is removed. But in a national scheme provision must be made for everybody, and the question of the types and the numbers of those who cannot be allocated to any industry at once arises, with the further question of the risks to which these classes are subject, and of the extent to which the State would be involved financially by their segregation in a central scheme presumably under departmental administration. There is also the question of the proper allocation of the large number of workers whose personal (craft) occupation is constant, but whose industrial classification is liable to constant variation; a problem which, as the Reports show, has caused the greatest difficulty in censal classifications, and at times has been the source of much confusion in the endeavour to reconcile census figures with the classified records of the numbers of persons in various "insured

trades." Other questions arise on such matters as the duration of the responsibility of the Funds of particular industries for the less efficient workers who, sometimes after considerable periods, tend to drift into less exacting occupations outside those industries with a considerable enhancement of the unemployment risk. Financial considerations are here involved, and while the question of principle is of great importance the practical significance of the problem may be one of numbers and of the means available for measuring them. I am impressed by the size of this problem and by the insufficiency of the present existing data to supply material for its treatment, and feel that no definite proposals to place unemployment insurance upon an industry can be usefully made until the subject has been systematically examined from every relevant point of view.

I am, Sir,

Your obedient Servant,

(Signed) ALFRED W. WATSON.

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## Chapter IV.

### OLD AGE PENSIONS.

The cost of Old Age Pensions in Great Britain has increased as follows :—

| | 1913/14. | 1921/22. | 1922/23. |
|---|---|---|---|
| Cost of Old Age Pensions (excluding Ireland) ... | £ 9,821,000 | £ 21,750,000 | £ 22,304,000 |

The above provision for 1922/23 includes £60,000 for the expenses of Local Pension Committees. Otherwise the cost of administration, amounting to about £1,000,000 for 1921/22 inclusive of Ireland, is borne mainly on the Customs and Excise Vote in respect of the salaries of Old Age Pension Officers and on the Vote for the Post Office, through which the pensions are paid. The cost of administration in 1922/23 will be somewhat less owing to the automatic fall of Civil Service bonus.

The increase in expenditure is mainly due to the provisions of the Old Age Pensions Act, 1919, which was passed after an enquiry by a Committee under the Chairmanship of Sir Ryland Adkins, M.P. That Act increased the maximum rate of pension from 5*s*. a week, as fixed by the original Act of 1908, to 10*s*. a week maximum and raised the means limit from £31 10*s*. per annum to £49 17*s*. 6*d*. A subsidiary cause of increase is the Blind Persons Act, 1920, which granted Old Age Pensions to necessitous blind persons at the age of 50 instead of at the ordinary age of 70.

The cost of living figures are not at the present time appreciably below the rate prevailing at the date of the Committee's Report. The Old Age Pension was not intended to provide for the complete support of the pensioner, but to give partial assistance only. It may be observed that the grant of pensions has given appreciable relief to Poor Law expenditure in respect of aged persons who were formerly accustomed to seek maintenance in the Workhouses.

The cost of administration largely arises from the enforcement of the means limit. The expense which would result if the limit were abolished would, however, be far in excess of any administrative economies which would result. We are satisfied that adequate safeguards have been adopted against the danger of fraudulent claims.

In view of the foregoing considerations we do not consider that any reduction in this Estimate for 1922/23 is possible, unless the Government wish to reduce the amount of Old Age Pension now paid. This is a question of policy as to which we express no opinion.

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## PART III.

### Chapter I.

### MINISTRY OF PENSIONS.

1. All the services covered by the Vote of the Ministry of Pensions arise directly out of the War.

The War Pensions commitments of the United Kingdom, excluding cost of administration and certain unimportant items of expenditure, have been estimated by the Government Actuary at £1,400,000,000, the rate of interest assumed being 5 per cent.

In addition to the expenditure by the Ministry of Pensions, heavy expenditure has also been incurred by other Civil Departments in respect of schemes undertaken for the benefit of ex-officers and men, such as out-of-work donation, University education, training in professions and industries, assisted emigration and resettlement. Particulars are given in Appendix (A) of expenditure amounting to £112,000,000 for this purpose. If the whole expenditure on ex-officers and men and their dependants were collected into one head, it would appear as follows :—

| | £ |
|---|---|
| Capital value of War Pensions liabilities ... ... ... | 1,400,000,000 |
| Schemes undertaken by other Civil Departments ... ... | 112,000,000 |
| Total ... ... ... | £1,512,000,000 |

2. The comparison of the estimates submitted for this year and next year is as follows :—

| | £ |
|---|---|
| 1921/22 net estimate ... | 111,556,666 |
| 1922/23 net estimate ... | 96,365,000 |
| Reduction ... | £15,191,666 or 13·6 per cent. |

The greater part of this reduction is due, however, not to a real decline in expenditure, but to the fact that the expenditure in 1921/22 was overestimated by £10,500,000. It was explained to us that this overestimate was caused by the Ministry making provision, which has not, in fact, proved necessary, for possible unforeseen and unexpected applications during the year.

The gross estimate for 1922/23 may be analysed under its main heads as follows :—

| | £ |
|---|---|
| Pensions (excluding Parents' Pensions) ... ... ... ... | 67,170,000 |
| Treatment ... ... ... ... | 13,455,000 |
| Parents' Pensions ... ... ... | 9,230,000 |
| Special Grants Committee and Miscellaneous Items ... ... ... | 789,000 |
| Administration ... ... ... | 5,722,000 |
| | £96,366,000 |

The first head " Pensions, excluding Parents' Pensions," covers :—

(i) Pensions, gratuities and allowances paid to disabled officers and men in respect of themselves, their wives and children ; and

(ii) Pensions to widows and children of deceased officers and men.

The head " Parents' Pensions " includes all payments to parents and other dependants (not being the widows or children) of deceased men.

*Pensions, excluding Parents' Pensions*, £67,170,000.

3. The present rates of pension are embodied in various Royal Warrants and, generally speaking, are based on the recommendations of the Select Committee on Pensions of 1919. The rates are not permanent, but may vary with cost of living, though the Warrants provide that no change shall be made before the 1st April, 1923, when revision will take place on the basis of the ascertained cost of living in the calendar year 1922. The standard for comparison is the cost of living in 1919 (115 per

cent. above pre-war) and we are informed that for every 10 points fall the reduction in the pension charge will be at the rate of £3,124,000 a year.

The Warrants, however, prescribe definite minimum rates of pension, and these will become operative when the cost of living has fallen to 77 per cent above pre-war. At this point the maximum reduction will have been reached, and on the present pensions would amount to £11,750,000 per annum.

It will be observed that the existing rates of pension were fixed before the cost of living had reached its maximum. The effect of the decision not to vary rates before the 1st April, 1923, is now operating in favour of the pensioner, but until recently it operated in favour of the Taxpayer, and it would not be fair or equitable to suggest a review before the date prescribed in the Warrant.

*Treatment*, £13,455,000.

4. A disabled man is entitled to free medical treatment when it is certified that he needs it, and, if he is deemed unable in consequence to provide for his own support and that of his family, he receives treatment allowances in addition to his pension.

It is estimated that in 1922/23—

| | £ |
|---|---|
| The cost to the Ministry of providing treatment will be ... ... ... | 6,919,000 |
| And the treatment allowances paid will amount to ... ... ... | 6,536,000 |
| Making a total estimated expenditure of ... ... ... ... ... | 13,455,000 |

This great expenditure, at a date so far from the cessation of hostilities, seems to call for investigation. It has been claimed that, apart from any question of a right to treatment, the expenditure is not wholly lost to the Taxpayer because the men's disabilities are reduced by treatment and the future charge for their pensions thereby lessened. But the prospect of further improvement from treatment, when three or four years have elapsed from discharge, appears to be small in most cases, and the War Pensions Act, 1921, embodies the principle of fixing permanent pensions after a lapse of four years.

Treatment may be given in either a Ministry of Pensions Hospital, a Civil Hospital or a sanatorium; or, as an alternative, the man may attend as an outpatient at a Ministry of Pensions Clinic or at a Civil Hospital; or the man may be treated at home.

In Appendix (B) tables are given showing in detail the number of men under treatment and the average duration of treatment. The salient facts are that the number under treatment actually

increased between the 30th June, 1920, and the 30th June, 1921, and that over 500,000 individual spells of treatment are given annually, the average length of the spell being sixteen weeks.

We are informed by the Ministry of Pensions that, in their opinion, the numbers under treatment reached a maximum about June, 1921, and may be expected to decline in future. The following explanations of the increase between June, 1920, and June, 1921, are given by the Ministry :—

(*a*) In June, 1920, there was a waiting list of men seeking treatment, especially in-patient treatment, which has been absorbed as more accommodation became available.

(*b*) The scarcity of employment which has occurred during the last fifteen months has affected appreciably the number of men seeking treatment, and has led to new claims to compensation being put forward by men on account of minor disabilities for which they had not made a claim before.

As regards the second point, we refer to Appendix (C), dealing with the rates of treatment allowance.

In view of the facts there given, it cannot, we think, be doubted that in many cases a man receives more, while undergoing treatment, than he could earn if in health, apart from the risk in the latter case of unemployment.

We consider that the question of the cost of providing treatment requires very early consideration with a view to effecting economies, and we make the following suggestions as to the general lines on which economies can be obtained :—

(*a.*) The accommodation at Ministry hospitals is rather under 14,000 beds, though Treasury authority has been obtained for 15,000 beds, which was a great reduction on the demands made by the Ministry. The number of beds occupied on the 30th June, 1921, was 11,600, and unoccupied 2,400. We are informed that the accommodation is being steadily decreased as opportunity offers, but consider that much more rapid progress is desirable, as the proportion of unoccupied beds seems excessive.

(*b.*) There are 11,856 beds in Admiralty and War Office hospitals in this country, of which 5,335 are filled and 6,521 are unoccupied. Altogether therefore, in these three Departments the Taxpayer is providing 25,856 beds, and of that number 9,821 beds are unoccupied. Immediate steps should, in our opinion, be taken to utilise spare accommodation in Naval and Military hospitals for pensioners under treatment, thus enabling buildings hired by Ministry of Pensions to be surrendered.

(*c.*) We are not satisfied that the fullest possible use is being made of civil hospitals. It appears that, including cost of accommodation, each patient in a Ministry of Pensions hospital is costing on the average 10*s.* 11*d.* a day, whereas the capitation rate of civil hospitals averages 9*s.* a day. General surgical and medical cases should to a large extent, we suggest, be treated either in civil hospitals or in Naval or Military hospitals.

(*d.*) The Minister proposes to make various reforms in the matter of treatment as and when pensions are made permanent; this, however, will be a slow process, and we think the question of introducing the reforms earlier should be considered. In particular, we think that the question of a strict limitation of home treatment should be considered, as it is admittedly unsatisfactory and leads to abuse.

Treatment allowances are on a generous scale and become even more so in cases where a man is entitled to Health Insurance benefit, rank allowance or service pension. We consider, therefore, that these allowances should receive immediate consideration, as it appears to us that ample justice could be done with saving to the Taxpayer.

As will be seen from Appendix (C), a man while in hospital receives 40*s.* a week, in addition to generous allowances in respect of his wife and children, and out of this he only contributes 19*s.* per week towards his maintenance whilst in hospital. Having regard to the cost of his maintenance in hospital of from 63*s.* to 76*s.* 5*d.* per week, we think an increase in this contribution can fairly be asked for.

(*e.*) There are 1,883 orderlies employed in Ministry hospitals, which is equivalent to 1 orderly for 6 patients. This number appears to be very high, and we suggest that patients who are in a condition to do so should do more light work and thus reduce this heavy item of cost.

Our suggestions, if adopted, should result in considerable savings, *e.g.* :—

If allowances were reduced by the amounts received for Health Insurance benefits the saving would be roughly £1,000,000 per annum.

If home treatment were reduced by 50 per cent. the saving would probably be in the neighbourhood of £500,000 per annum.

If the allowance to the wife of a man undergoing treatment were made the same as in the case of the wife of a totally disabled man the saving would be 10*s.* per week, equivalent to £416,000 per annum.

If the contribution towards maintenance whilst in hospital were raised from 19*s.* to 24*s.* the saving would be roughly £350,000 per annum.

Having regard to the above suggestions and the further economies which would result from reducing the number of orderlies and making fuller use of Naval, Military and Civil Hospitals, we consider that the sum provided for treatment in 1922/23 might be reduced from £13,455,000 to £11,000,000.

*Parents' Pensions*, £9,230,000.

5. The Estimate for 1922/23 shows a reduction of £500,000 on 1921/22, the details for the latter year being :—

| Number. | Description. | £ |
|---|---|---|
| 211,940 | Parents' " Pre-War Dependence " Pensions ... ... ... | 5,994,215 |
| 40,995 | Parents' Special Pensions ... | 1,493,940 |
| 105,665 | Parents' Flat Rate Pensions ... | 1,377,675 |
| 19,455 | Other Dependants' Pensions ... | 458,600 |
| 1,355 | Gratuities ... ... ... | 19,570 |
| 379,410 | | 9,344,000 |
| 6,790 | Officers' Dependants ... ... | 389,000 |
| 386,200 | | £9,733,000 |

*Pre-War Dependence " Pensions.*

The " Pre-War Dependence " of a parent is the amount regularly contributed by the man prior to enlistment in excess of any expenditure incurred on his account. The value of the support so given is loaded up by 20 per cent., and on the basis of this assessment the parent is given a pension of up to 20*s*. a week.

The parent is not required to prove present need, and no account is taken of the probability that had the son lived the assistance given by him might have been withdrawn partially or wholly as he grew older and assumed fresh responsibilities on marriage, or when younger members of the family grew up and were able to assist the parents. Assuming, for the moment, that the conditions in the Warrant are right in principle and that proper effect has been given to them, it is easy to calculate the extent of the pre-war dependence of the parents of men who enlisted. As the deaths numbered less than 700,000 and 211,940 pensions are in payment it appears that 30 per cent. of the men contributed to the support of their parents. The average pension in 1921/22 was 10*s*. 11*d*. so that the pre-war support, allowing for the loading up by 20 per cent., must have exceeded 9*s*. a week. From

the particulars as to wages prior to enlistment furnished by the Government Actuary to the Select Committee in 1919* it can be calculated that the average wage did not exceed 32*s.* a week.

We cannot accept as probable the conclusion that 30 per cent. of the men supported their parents before enlistment, and still less the conclusion that out of an average wage of 32*s.* a week the man contributed more than 9*s.* a week to the support of his parents in addition to repaying any expenditure incurred on his account. We therefore think that too many of these pensions have been issued and that the sums granted to individuals have been excessive.

The Select Committee of 1919 recommended that all classes of parents' pensions should be assimilated on the basis of need and the reasonable expectation of what the son would have contributed had he lived. The Government did not accept this recommendation on the ground that it would have been a breach of faith with the pensioners. The question whether awards of pension based on pre-war dependence have been made on a correct estimate of the facts is another matter, and we suggest that a re-examination of these awards is called for, and a final date for application should be fixed.

*Other Pensions in this Group.*

The parents' flat-rate pension is 5*s.* a week, granted to any parent who lost a son under 26 years of age, irrespective of whether the parent is in need or whether the son ever contributed support. It is a question of policy whether such pensions should be limited to cases of need, but, apart from this, we think it desirable that a final date for application should be fixed.

*Administration*, £5,722,000.

The estimated cost of administration in 1922/23, excluding £1,400,000 for the staffs of hospitals and institutions which has been included above as part of the cost of "treatment," is made up as follows :—

| | Salaries and Wages. | Travelling and Incidental Expenses. |
|---|---|---|
| | £ | £ |
| Headquarters and regional staffs ... | 2,690,000 | 81,000 |
| Medical staffs ... | 1,777,000 | 40,000 |
| Local committee staffs ... ... | 934,000 | 200,000 |
| | £5,401,000 | £321,000 |

* *See* H.C. 247 of 1919, page 513.

*Numbers of Staff.*

Evidence was produced to us that, apart from the staff in institutions, there has been a steady reduction in numbers since May, 1920, and that this reduction preceded the decline in the number of pensioners and has exceeded that decline in extent. Sweeping changes are being made in administration as a result of the War Pensions Act, 1921, which converted the Local Pensions Committees from administrative bodies to Advisory Committees, and also introduced the principle of fixing permanent pensions. Until these reforms, which should be pressed forward as rapidly as possible, are completed it will scarcely be possible to form a true judgment of the size of the staff required, but we think large reductions should eventually be possible, and we were satisfied that this possibility was very much in the minds of those responsible.

We suggest that the pay of the temporary administrative medical staff of the Department, numbering 324, which averages £972 per annum, requires reconsideration in view of the fall of the cost of living and the reduction recently effected in the emoluments of panel doctors under the Health Insurance Scheme.

## SUMMARY OF CONCLUSIONS.

**There is nothing we can suggest to reduce the provision of £67,170,000 for ordinary pensions until the time fixed for review in April, 1923.**

**We think that the cost of treatment, parents' pensions and administration can be reduced without inflicting any undue hardship, and we do not think it unreasonable in present financial conditions.**

**We recommend in all the circumstances of the case that the Estimates for 1922/23 be reduced from £96,366,000† to £93,000,000, a reduction of 3⅓ millions.**

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† In view of the fact that the estimate has been prepared at an unusually early date, and that it is obviously a difficult matter to fix the figures correctly, we further recommend that the basis on which the estimate is compiled should again be thoroughly reviewed so as to reduce the possibility of overestimate. In 1920–21 and 1921–22 there have been overestimates exceeding £10,000,000 in each year.

## APPENDIX (A).

EXPENDITURE since the Armistice by Civil Departments, other than the Ministry of Pensions, on Schemes for the Benefit of ex-Officers and Men.

| Department. | Expenditure to August 31, 1921. | Expenditure to March 31, 1922. (Estimate). | Expenditure to Completion of the Schemes. (Estimate). |
|---|---|---|---|
| | £ | £ | £ |
| Ministry of Labour— | | | |
| (*a.*) Training ... ... ... | 13,253,511 | 20,243,499 | 28,771,394 |
| (*b.*) Out-of-work donation ... | 40,437,731 | 40,489,297 | 40,496,297 |
| (*c.*) Resettlement grants ... | 3,226,686 | 3,540,524 | 3,850,524 |
| Board of Education— | | | |
| Education grants ... ... ... | 5,721,607 | 6,809,000 | 8,433,495 |
| Scottish Education Department— | | | |
| Education grants ... ... ... | 850,293 | 1,041,084 | 1,382,000 |
| Ireland— | | | |
| Education grants ... ... ... | 282,460 | 371,760 | 550,000 |
| Relief works for ex-service men... | 328,000 | 528,000 | 528,000 |
| Agricultural training— | | | |
| England and Wales ... ... | 1,296,653 | 1,425,260 | 1,516,660 |
| Scotland ... ... ... ... | 44,567 | 52,600 | 70,600 |
| Land settlement— | | | |
| England and Wales ... ... | 16,502,454 | 17,358,001 | } 24,400,000* |
| Scotland ... ... ... ... | 1,308,869 | 1,936,282 | |
| Emigration ... ... ... ... | 1,195,451 | 1,772,000 | 2,472,000 |
| Total for other Departments ... | 84,448,282 | 95,567,307 | 112,470,970 |

* This is mostly capital expenditure. There will be in addition for many years an annual loss, which is put, as a maximum, at £1,250,000 per annum in England and Wales and £260,000 in Scotland.

## APPENDIX (B).

NUMBERS of Men under Treatment.

| Nature of Treatment. | Number on June 30, 1920. | Number on June 30, 1921. | Average duration of Treatment. |
|---|---|---|---|
| In-patient— | | | |
| Ministry of Pensions hospitals. | 7,900 | 11,600 | 13 weeks. |
| Civil hospitals ... ... | 10,100 | 9,140 | 13 weeks. |
| Treatment and training centres. | 1,500 | 2,230 | 9 months. |
| Sanatoria... ... ... | 5,000 | 4,630 | 15 weeks. |
| Asylums ... ... ... | 5,000 | 5,800 | Permanent. |
| Out-patient— | | | |
| Ministry of Pensions clinics. | } 90,605 | { 66,000 | 104 days. |
| Civil hospitals ... ... | } | { 40,000 | 96 days. |
| Home treatment ... ... | 25,853 | 15,415 | 15½ weeks. |
| Total ... ... | 145,958 | 154,815 | 16 weeks. |

If the number of men under treatment on the 30th June, 1921, continued constant for 12 months, approximately 500,000 spells of treatment would be given during that period.

# APPENDIX (C).

## Treatment Allowances.

1. *General Rule.*

The general rule as regards treatment allowances is that a man under treatment and unable in consequence to support himself and his family has his pension raised to that of a totally disabled man.

This rule applies without qualification to men receiving out-treatment or treatment at home. In the case of treatment *in an institution* the men are being maintained free and the cash allowance paid to them is reduced by 19*s.* a week as compared with that of a totally disabled man; if married, however, they receive 20*s.* a week in respect of their wife, whereas the allowance paid in respect of the wife of a totally disabled man is 10*s.* a week.

2. *Amount of Allowances.*

(i.) The minimum cash allowances (applicable to ex-privates) paid are :—

| | In an Institution in addition to Free Maintenance. | Treatment as an Out-Patient or Home Treatment. |
|---|---|---|
| | *s.* *d.* | *s.* *d.* |
| Single man ... ... ... ... | 21 0 a week | 40 0 a week. |
| Married man without children ... | 41 0 „ | 50 0 „ |
| „ „ with 1 child ... ... | 48 6 „ | 57 6 „ |
| „ „ with 2 children ... | 54 6 „ | 63 6 „ |
| „ „ with 3 children ... | 60 6 „ | 69 6 „ |
| For each additional child ... ... | 6 0 „ | 6 0 „ |

(ii.) *Rank* Allowances are drawn in addition. In the case of a man with a wife and three children the cash allowances would be increased as follows :—

| Rank. | In an Institution in addition to Free Maintenance. | Treatment as an Out-Patient or Home Treatment. |
|---|---|---|
| | *s.* *d.* | *s.* *d.* |
| Private (as shown above)... ... ... | 60 6 a week. | 69 6 a week. |
| N.C.O., Class IV ... ... ... ... | 63 10 „ | 72 10 „ |
| „ „ III ... ... ... ... | 67 2 „ | 76 2 „ |
| „ „ II ... ... ... ... | 70 6 „ | 79 6 „ |
| „ „ I ... ... ... ... | 73 10 „ | 82 10 „ |
| Warrant officer, Class I ... ... ... | 80 6 „ | 89 6 „ |

(iii.) *Value of Free Maintenance in an Institution.*—As the rate for a single man in an institution is 21*s.* a week as compared with 40*s.* for an out-patient, it appears that the value of maintenance has been put at 19*s.* a week. This is certainly a very low estimate; the cost to the Government is at least 63*s.* a week.

(iv.) *Other Sources of Income.*—In fixing the allowance which is to maintain the man and his family during his treatment, no

account is taken of private income or of any health insurance benefit. The amount of insurance benefit drawn by men under treatment is, however, about £1,000,000 a year, *i.e.*, it represents an addition of about 15 per cent. to the training allowances, which total £6,500,000 a year.

3. *Comparison of Family Income when Man is under Treatment with Family Income when he is in Work.*

From the preceding paragraph it appears that the minimum family income of a married man with three children in an institution is about £4 a week, viz., 60*s*. 6*d*. in cash, and free maintenance, valued at 19*s*.

When his treatment is over he reverts to ordinary pension, and out of 30,671 classified cases it appears that—

19 per cent. draw no pension after treatment.

36 per cent. draw less than 10*s*. a week.

63 per cent. draw less than 20*s*. a week.

83 per cent. draw less than 30*s*. a week.

The average pension cannot well exceed 20*s*.

To draw as much after treatment as during treatment it would be necessary for him to earn at least £3 a week, which is a high figure compared with present rates in unskilled trades, ignoring the possibility of unemployment. Taking into account rank allowance and health insurance benefit, and the fact that maintenance is much undervalued at 19*s*., it seems clear that in very many cases the extra income during treatment is such as could not be earned in full employment.

The position as regards a man receiving home treatment or treatment as an out-patient at an institution is not very different. The minimum treatment allowance for a man with three children would be just under £3 10*s*. a week, so that in the average case the man, in order to draw as much after treatment as during treatment, would have to earn 50*s*. a week, plus anything he would have been drawing in health insurance benefit or rank allowance during treatment.

---

## CONCLUDING REMARKS.

In bringing our Interim Report to a conclusion, we desire to emphasise once again the need for immediate action to which we have already referred in the case of the Fighting Services, and the essential importance of energetic Departmental action in the matters with which we have dealt and which the Government may approve, if the savings are to be realised in the coming year.

Over and above the £75,000,000 reductions which the Departments themselves have proposed for the year 1922/23, we have

suggested in our Interim Report the following additional reductions :—

| | £ |
|---|---|
| Navy ... ... ... ... ... | 21,000,000 |
| Army ... ... ... ... ... | 20,000,000 |
| Air ... ... ... ... ... | 5,500,000 |
| Education ... ... ... ... | 18,000,000 |
| Health ... ... ... ... | 2,500,000 |
| War Pensions ... ... ... | 3,300,000 |
| | £70,300,000 |

We wish to point out, however, that this Report is both interim and preliminary, and that, as we have stated, no account has been taken of the possible re-casting of the Navy Estimates as the result of the Washington Conference, nor of any reductions in the Army Estimates resulting from a review by the Government of our military requirements at home and abroad.

In handing you this preliminary Report, we wish to state that we are proceeding with our examination of the ninety-six Votes remaining, which, with the Irish Departments, represent £138,000,000, and will report on them to you with as little delay as possible, as also on the various questions referred to, but not dealt with, in this Report.

We are, Sir,

Your obedient servants,

(Signed) ERIC GEDDES (*Chairman*).
INCHCAPE.
FARINGDON.
J. P. MACLAY.
W. GUY GRANET.

(Signed) G. A. STEEL (*Secretary*).

*December* 14, 1921.

(2/22) (35812) Wt 2600 2/22 H. St. G. 36.

COMMITTEE ON NATIONAL EXPENDITURE.

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# SECOND INTERIM REPORT

OF

# COMMITTEE

ON

# NATIONAL EXPENDITURE.

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**Presented to Parliament by Command of His Majesty.**

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# SECOND INTERIM REPORT OF THE COMMITTEE ON NATIONAL EXPENDITURE.

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To the Right Hon. Sir ROBERT S. HORNE,
G.B.E., K.C., M.P.,
Chancellor of the Exchequer.

SIR,

We beg to submit our Second Interim Report, which, as in the case of our previous Report, we would ask you to consider as both interim and preliminary. In it we deal with a number of Departments in groups as set out below, not selected on account of the large amount of money involved, but because of administrative urgency and convenience.

| | |
|---|---|
| TRADE SERVICES GROUP— | |
| Board of Trade. | Part IV. |
| Department of Overseas Trade. | |
| Export Credits Scheme. | |
| Mercantile Marine Services. | |
| Mines Department. | |
| Ministry of Transport. | |
| AGRICULTURAL SERVICES GROUP— | |
| Ministry of Agriculture and Fisheries. | Part V. |
| Board of Agriculture, Scotland. | |
| Fishery Board, Scotland. | |
| Ordnance Survey. | |
| Forestry Commission. | |
| POLICE AND PRISONS GROUP— | |
| Police. | Part VI. |
| Prisons. | |
| Reformatory and Industrial Schools. | |
| Boards of Control. | |
| GENERAL GROUP— | |
| Comprising 24 Votes as detailed in table of contents. | Part VII. |

The provisional Estimates for 1922/23 remitted to us, after making the reductions of £75,000,000 offered by the Departments in their provisional Estimates in July last, amounted to £528,000,000 for ordinary Supply Services. The Services covered by our first Interim Report amounted to £390,000,000,

and this, our second Interim Report accounts for a further £18,000,000. Irish Votes, which we are not examining, account for a further £17,500,000. There remain for examination 60 Votes, accounting for the balance of approximately £100,000,000 estimated expenditure on Ordinary Supply Services, and 6 Votes for " Aftermath Services " which come under the heading of " Special Expenditure."

We have, generally speaking, followed the same process of study of the estimates and consultation with the Treasury and with the Ministers and Officials of the Departments dealt with, and, as in our first Interim Report, we have stated in some detail where we think economies can be effected, and have arrived at conclusions, which we think should be communicated to the Departments as to the limits within which their Estimates should be framed. We wish, however, to reiterate that the details we give are not exhaustive, and that our recommendations give the minimum economies which, in our judgment, should be effected in the various Departments.

We take this opportunity of explaining that we realise that some of our recommendations relate to classes of expenditure which will have many advocates. Powerful arguments can no doubt be urged for such expenditure. But in present circumstances only one overriding comment is necessary : " Has the nation the means at the present time to continue incurring it? " To that question your remit to us is a full and complete answer. We are invited to recommend reductions in expenditure because they are absolutely necessary to keep our outgoings at a level with our income. Our remit is not how best to spend money from an overflowing Exchequer; but how, with the least harm, to bring expenditure within the limits of our income.

We will now proceed to deal with the Trade Group, and seriatim with the other Groups as set out above.

## PART IV.

# REPORT ON GOVERNMENT EXPENDITURE ON TRADE SERVICES

### Introductory Remarks.

The provisional Estimates submitted to the Committee of the cost of these services in 1922/23 amount to £2,134,856, as compared with £538,998 in 1913/14.

The figures for 1922/23 include £247,000 in respect of War Services. Particulars are given below :—

| — | 1913–14. — Audited Expenditure. | 1921–22. — Estimate. | 1922–23. — Provisional Estimate. |
|---|---|---|---|
| | £ | £ | £ |
| Board of Trade ... ... ... | 359,862* | 2,545,238 | 900,255 |
| Department of Overseas Trade ... | — | 488,946 | 345,039 |
| Mercantile Marine Services ... ... | 118,484 | 506,863 | 431,685 |
| Mines Department ... ... ... | 60,652† | 211,910 | 177,877 |
| Ministry of Transport ... ... | — | 453,502 | 280,000 |
| Total ... ... ... | 538,998 | 4,205,550 | 2,134,856 |

* Including services transferred to other Votes.
† Borne on Home Office Vote.

Since 1913/14 there has been a great extension of the activity of this group. Separate Departments have been established with Parliamentary Secretaries for Overseas Trade and Mines, and a new Ministry was set up in 1919 for Transport. Although considerable reduction is shown in 1922/23 as compared with 1921/22, it is largely accounted for by the discontinuance of the Grant-in-Aid to the Empire Cotton Growing Committee (£978,715) and the reduction of £577,025 in the cost of War Services. If the whole of the War Services are eliminated from the provisional Estimate for 1922/23, the expenditure proposed for that year is three and one-half times that of 1913/14.

In addition to the items given in the above table £5,000,000 were provided in 1921/22 for the Exports Credits Scheme and £1,000,000 were shown in the Provisional Estimate for 1922/23 for this service.

## Chapter I.

### Board of Trade Estimates.

| | | £ | £ |
|---|---|---|---|
| 1913–14. | Audited Expenditure ... ... ... (Excluding services since transferred to other Votes.) | — | 316,676 |
| | | Ordinary Services. | War Services. |
| 1921–22. | Estimates ... ... ... ... ... | 1,794,713 | 750,525 |
| 1922–23. | Provisional Estimates ... ... ... | 720,755 | 179,500 |

1. As explained above, the reduction in Ordinary Services is mainly due to the discontinuance of the grant of £978,715 to the Empire Cotton Growing Committee.

Since the provisional Estimates were submitted, further Estimates have been prepared for submission to Parliament which show a reduction in respect of Ordinary Services as compared with the Provisional Estimate, from £720,755 to £615,702, a reduction of £105,053, of which £62,608 arises from a transfer of charges to the Mercantile Marine Services Vote, and an increase in the cost of War Services from £179,500 to £191,748, or of £12,248. In order to avoid confusion, we have adhered to the provisional Estimates submitted, and any reductions recommended are based on those Estimates.

It is exceedingly difficult accurately to compare the Estimates of the Board of Trade alone, as the services covered by the Vote in 1922/23 differ widely from those covered by the same Vote in 1913/14. In the first place, the Vote in 1922/23 includes services arising out of the war, such as the liquidation of the accounts of Food and Timber Trading, and work connected with Enemy Debt, Reparation, Dyes, &c Although the gross cost of these services for 1922/23 is estimated at £569,500, there will be substantial receipts, and it is anticipated that the net cost will be £179,500.

With regard to ordinary services, a number of the activities of the Board of Trade on the Railway and Harbour side have been transferred to the Ministry of Transport, and duties which were formerly performed by the Commercial Intelligence Branch of the Board of Trade now form part of the separate Department of Overseas Trade, and the General Register of Shipping and Seamen is borne on the Mercantile Services Vote. On the other hand, Parliament has added permanent duties to the Board of Trade in connection with the safeguarding of Industries, Dyestuffs Import Regulation, and Gas Regulation, and the Transport Section of the Mercantile Marine Department has been transferred from the Admiralty to the Board of Trade. The net effect of all these changes is reflected in the opening paragraph of this part of the report, which showed that, after eliminating war services, the cost of this group has increased from £538,998 in 1913/14 to £1,887,856 for 1922/23.

Before dealing with the Estimates in detail, we have given some consideration to the organisation of the Board of Trade, and are particularly struck by the fact that, although some of the operations of the old Commercial Department of the Board now form part of the functions of the separate Department of Overseas Trade, the part of the Commercial Department retained has been expanded into three costly specialised Departments, namely, the Industries and Manufactures Department, the Power, Transport and Economic Department, and the Commercial Relations and Treaties Department.

2. *Staff.*

For reasons which have already been given, a comparison of the numbers of staff is as difficult as a comparison of the Votes. The total staff, Administrative and Clerical, employed by the Board of Trade in 1914 compared with the current year, and the estimated staff required for the 1st April, 1922, is as follows :—

| | |
|---|---|
| August 1, 1914 ... ... ... ... | 1,500 |
| August 1, 1921 ... ... ... ... | 4,708 |
| April 1, 1922 (estimated) ... ... | 3,790 |

Of the total staff of 3,790 required on the 1st April, 1922, about 1,560 will be engaged on permanent Ordinary Services, and there will be a further 44 engaged on work under the Registration of Business Names Act. The remaining staff of 2,274 are said to be required for temporary services arising out of the war.

In addition, there is at present an industrial staff of 426 employed in the Timber Supply Department, which will be reduced to 250, costing £840 per week, on the 1st April, 1922, which will be charged to the Trading Account.

The Board of Trade proper, in addition to having a President and Parliamentary Secretary, has now a Chief Economic Adviser at a salary of £3,000 per annum, and there are, in addition, two Joint Secretaries to the Board. We understand the post of Economic Adviser is not a permanent one.

The Department is subdivided in the following way :—

Secretariat, including Parliamentary Branch and Library.
Commercial Relations and Treaties Department.
Industries and Manufactures Department.
Power, Transport and Economic Department.
Statistics Department.
Finance Department.
Establishment Department.
Board of Trade Journal.

and a staff of 250 for general services, including typists, messengers, charwomen, &c. In addition, there are also—

Legal Branch.
Standards Department.
Industrial Property Department, including the Patent Office.
Companies Department.

Registration of Business Names Act Department.
Food Department.
Royal Commission on Wheat Supplies.
Clearing Office, Enemy Debts.
Russian Claims Department.
Reparation Claims Department.
Timber Disposal Department.
War Insurance Accounts Branch.

It is obviously impossible for us to make a detailed investigation into the duties of these various sections of the Board of Trade; but we have considered the report of the special Investigation Committee appointed in 1920 to examine the work of the Department, in which the view is expressed that three Departments—(1) Industries and Manufactures, (2) Power, Transport and Economic, and (3) Commercial Relations and Treaties—had developed their activities on the advisory side beyond what is necessary; and that their functions and work overlap those of other Government Departments; and we think that in the present circumstances the Power, Transport and Economic Department could be amalgamated with the Industries and Manufactures Department, thus realising economies in staff. We also think that in certain directions the activities could be curtailed without any real loss of efficiency in the Department.

At a later stage in this report we deal with the separate Department of Overseas Trade and make recommendations thereon.

3. *Transport Section, Mercantile Marine Department.*

Included in the Estimates for the Board of Trade there is an item of £43,000 for the Transport Section of the Mercantile Marine Department. Before the war this Department was attached to the Admiralty and the pre-war cost was £14,500. Of the reasons assigned for the increase over pre-war cost—apart from the usual reason of war bonus and increased rates of pay—one is the additional troop work consequent upon the continuance of the Armies of Occupation on the Black Sea, in Palestine and in Mesopotamia, involving the use of twelve transports now instead of six. Another reason is the large increase in the stocks of Transport Stores for the Expeditionary Force in the event of war. In 1914 the Department was authorised to hold sufficient stocks for 87,000 men and 30,000 horses, the largest items being 220,000 blankets and 90,000 hammocks. No ships' fittings of any sort were held in stock.

We are informed that the future policy regarding the retention of Transport Stores is now under consideration by the Committee of Imperial Defence, but that the Department has asked to be allowed to purchase additional ships' fittings, horse-stall fittings, and horse gear up to the requirements for the despatch of an Expeditionary Force of 65,000 men and 14,000 horses, and to be

allowed to retain all surplus stock up to the requirements for a Force of 180,000 men and 60,000 horses.

We have ascertained that immense stocks are held at the present time, including—

600,000 Blankets.
360,000 Hammocks.
12,460 Hospital berths.
86,624 Breast rails for horse boxes.
41,276 Horse halters.

The estimated cost of handling these stores in 1922-23 is £22,500, compared with £6,000 in 1913, and we are informed that the Department proposes to concentrate at a new Depôt at Pitsea the whole of the stores necessary to meet war requirements. This proposal would involve not only the cost of transferring these large stocks to Pitsea, but also the provision of additional buildings at Pitsea to accommodate the stores. We consider that under present circumstances no additional expense whatever should be incurred in the acquisition of additional ships' fittings or horse gear or provision of storage accommodation, and that the stocks held should not exceed pre-war. We doubt whether the present system of transporting troops is the best under peace conditions, and think that contract arrangements to cover everything could probably be made at less cost. It appears to us quite wrong that the Board of Trade should be holding vast mobilisation stores such as these, and we think the Department should be reduced to pre-war dimensions.

4. *Census of Production.*

The Board of Trade propose to take a census of production in 1923 in respect of the year 1922 at a total estimated cost of £120,000, of which £8,000 is to be spent in the next financial year. The Board of Trade had hoped to obtain a census relating to the output of the principal industries of the country for the year 1920; but this was abandoned in view of the need for economy. We are of opinion that this need is more pressing to-day, and we further consider that any figures of production obtained for the year 1922 will be misleading owing to the abnormal trade depression. We recommend that the census should certainly be postponed until trade is more nearly approaching a normal condition.

5. *British-Italian Corporation.*

Included in the Estimates is an item of £107,200 under the heading of British Italian Corporation. In 1916 an agreement was made with this Corporation under which the Government agreed to pay a subsidy of £50,000 a year for ten years and also to pay Income Tax and Excess Profits Duty for which the Corporation might be assessed by reason of this subsidy. The agreement has, however, now been brought to an end by the lump sum payment included in the Estimates.

6. *Zinc Concentrates and Spelter.*

An agreement was concluded in 1917 as regards concentrates and spelter with the Zinc Producers' Proprietary Association (Limited), Australia. This agreement operates until the 30th June, 1930, and is divided into three periods as under :—

1. From the 1st January, 1918, to the 30th June, 1921.
2. From the 1st July, 1921, to the 30th June, 1925.
3. From the 1st July, 1925, to the 30th June, 1930.

The annual quantity of concentrates the Government may be required to take is fixed by the agreement at 250,000 tons per annum in the first period and 300,000 tons per annum for the second and third periods. The prices are fixed for the first two periods and a formula laid down for regulating prices in the third period.

There is also an agreement giving the Zinc Producers' Association the right to " put " 45,000 tons of spelter annually with the Government at ruling market price.

These agreements were negotiated in 1916 through the Australian Government and are binding until 1930. Owing to changes which have occurred since in world prices and to the rise in the cost of labour, and also to the restricted demand for spelter, sales of concentrates cannot be made at a price sufficient to cover the prices agreed to be paid. The Government now hold 700,000 tons of zinc concentrates in Australia and 3,000 tons of spelter in the United Kingdom. We are not familiar with the reasons for entering into this long-term agreement; the extent of the loss cannot at present be estimated, but it is almost certain to run into several millions.

7. *Registration of Business Names.*

A staff of forty-four is indicated in connection with the Registration of Business Names Act, but the cost is borne on the Vote of the Registrar-General. Fees are charged for services rendered, and in the first year of the operation of the Act the receipts amounted to £28,000 as against an expenditure of £5,000. Registrations have, however, considerably fallen off, and the service is now run at a loss of some £4/5,000 per annum. It is a question whether this registration is now necessary, and we think not.

8. " *Board of Trade Journal.*"

The estimated cost of producing the " Board of Trade Journal," exclusive of the cost of accommodation, is £15,770 per annum, whereas receipts from the sale, after allowing for trade discounts and overhead charges, are only £6,500. The weekly circulation is about 10,000 copies. Arrangements have been made, however, to meet the estimated deficiency on this account by accepting advertisements for publication in the Journal, such advertisements being expected to yield a net revenue of £10,000 per annum. If these anticipations are realised and the Journal becomes self-supporting we see no objection to

its continuance; but we do not think it should be continued if any contribution from the Taxpayer is necessary.

## War Liquidation Services.

9. *Food Department.*

We understand that disposals are now complete in the case of wheat, flour, bacon, dried fruits, eggs, and canned goods, and that the completion of the disposal of the whole of the remaining stocks will be reached before the 31st March, 1922. The Ministry of Food final trading account will be presented to the Comptroller and Auditor-General on the 31st March, 1922. There will, however, be certain adjustments to make, but it is fully anticipated that the accounts will be completed by the 30th June, 1922.

The final trading account of the Wheat Commission will be completed about the same date; but the amounts involved are very large, and the adjustments will take some time owing to the necessity for analysing the accounts in order to arrive at the final cost to each Ally. Unfortunately, the staff engaged in considering the claims will have to remain for a slightly longer period, as many large claims are outstanding, and we do not consider that the interests of the taxpayer should be jeopardised by too hastily disbanding the expert staff necessary for dealing with these complicated claims.

Of the staff of 1,599 transferred from the Ministry of Food to the Board of Trade on the 1st April, 1921, the services of two-thirds have been dispensed with, excluding the provincial staff, which will disappear by the end of January, 1922. On the 1st April, 1922, it is estimated that the total staff will amount to 332, and it is intended to reduce the staff progressively throughout the year until it disappears. It is then proposed to retain a Food Claims Advisory Committee for giving assistance in respect of claims not settled before that date. The cost for 1922/23 is estimated at £61,500.

10. *Timber Trading Account.*

The Government purchased and sold enormous quantities of imported and home-grown timber during and since the war.

As regards imported timber, the total sales from the inception of the Department up to the time when the whole stock will have been disposed of will probably amount to £60 millions. We understand that a year ago it was anticipated that a profit would be shown on these transactions; but since that date difficulties have arisen with the firm who had contracted to purchase the whole of the remaining stocks, and it is now anticipated that the imported timber department will ultimately show a loss.

As regards home-grown timber the total sales amounted to £15,800,000; but in this case also there will be a loss of approximately £5,800,000 which is attributable to large payments for damage to roads (not entirely due to home-grown timber) also to additional expenditure involved in conducting timber felling

and sawing operations, and to trade depression which has had an adverse effect on the prices realised.

In view of the afforestation expenditure, the result of a Government Department's trading in home-grown timber is noteworthy. In neither of these accounts has any debit been made to represent interest on Treasury advances.

11. *Clearing House Enemy Debts.*

A large staff is still engaged on the operations of the Clearing House. Up to date it has dealt with 250,000 claims. The estimated number of staff at the 1st April, 1922, is 1,385, and the cost for 1922/23 £390,000. The volume and the nature of the work of this office will necessitate its continuance for several years, but the cost will be entirely covered by fees. We have not investigated the staff in detail.

12. *Russian Claims Department.*

Provision is made in the Estimates for 1922/23 for a staff of about twenty-five at a cost of £5,000. At the present time the Department is mainly engaged in arranging and classifying the various claims against Russia, and dealing with correspondence in connection therewith. The duration of this work must depend upon developments leading to the re-establishment of commercial relations with Russia and the acknowledgment by the Government of Russia of its national obligations. No fees are charged so far.

13. *Reparation Claims.*

Provision is made in the Estimates for 1922/23 for a staff of 161 at a total cost of £40,000. This Department has been engaged in preparing the claim of the United Kingdom against Germany for reparation in respect of damage under certain clauses of the Treaty of Versailles, and is now chiefly occupied in considering the question of compensation to civilians who have suffered war damage. A Commission, under the presidency of Lord Sumner, has been set up to deal with claims of this nature, assessing the measure of the damage suffered in each case.

14. *War Risks Accounts Branch. Marine.*

A staff of only three is provided for in the Estimates for 1922/23, at a cost of £623 for the completion of the work in connection with Marine Claims, which involve the recovery of considerable sums of money in respect of salvage, &c., and also the payment of further claims arising out of the insurances effected.

15. As is shown by this Report, the Board of Trade, in addition to its permanent work, is engaged to a very great extent in liquidating war liabilities of all kinds, *e.g.*, Food, Wheat Commission, Mines, Shipping, Timber, Zinc Concentrates and Spelter, Reparations, Enemy Debts, Russian Claims and so forth.

We have found our task of criticising and forming an opinion of the Board of Trade expenditure infinitely more complicated

and difficult on account of these decreasing and abnormal duties. Such circumstances necessarily increase the difficulty which the Government or Parliament finds in controlling expenditure.

If such of these aftermath services as are incapable of being wound up before midsummer of this year were withdrawn from the Board of Trade this would admit of the departmental cost being estimated on a permanent basis and criticised by comparison with what it did before the war and from year to year.

It must be obvious that these abnormal departments, which fluctuate but generally tend to shrink, require the most constant care to see that the staff is reduced, not only in the particular branches, but in all the common services, as the work falls, and even so great opportunities will exist for staff being carried long after they have become redundant.

Our conclusions to this chapter are embodied in our conclusions on the whole Trade Group, at the end of this part of the Report.

The various Services in the Trade Groups are so closely related and our subsequent recommendations would involve so many cross references that we think the course we have adopted will be more convenient than attempting to set out conclusions at the end of each chapter in the group.

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## Chapter II.

### DEPARTMENT OF OVERSEAS TRADE.

The net Estimates for 1922/23 compare with 1921/22 as under :—

1913/14 ... ... ... ... ... Non-existent.

*but approximately £34,000 included in the Board of Trade and Foreign Office Estimates.*

| | £ |
|---|---|
| 1921/22 Estimate ... ... ... | 488,946 |
| 1922/23 Provisional Estimate ... ... | 345,039 |

1. Since the Provisional Estimates were submitted we understand that the £345,039 for 1922/23 will probably be increased to £375,306, the difference of £30,267 being largely accounted for by expenditure in connection with the Rio Centenary Exhibition.

The total staff employed in the Department for the two years is as follows :—

| | August 1, 1921 | April 1, 1922. |
|---|---|---|
| Administrative and Clerical ... | 606 | 385 |
| Overseas ... ... ... | 85 | 71 |
| Petroleum Department ... | 25 | 19 |
| Total ... ... | 716 | 475 |

2. The question of the organisation of commercial intelligence abroad has been the subject of considerable controversy, and in the last four years five Committees have been set up to consider some aspect of the organisation. The names of the Committees were as follows :—

The Faringdon Committee of 1917 on the Organisation of Commercial Intelligence in Foreign Contries.

The Tilley Committee of 1917.

The Cave Committee of 1919 on Government Machinery for dealing with Trade and Commerce.

The Steel-Maitland Committee of 1919.

The Holmes Committee of 1920 on the Staffing and Methods of work of the Department of Overseas Trade.

In two cases the Committees could not present an agreed report, and the question is admittedly one of great complexity and difficulty.

The Department combines part of the work of the old Commercial Intelligence Branch of the Board of Trade with that of the Commercial Department of the Foreign Office.

From the figures of staff it will be seen that the activities overseas are being curtailed to a very small extent, and that the main reductions are taking place in the Headquarters staff; but even then a staff of 385 at Headquarters (since increased to 396) appears to us to be unjustified.

3. We have given careful attention to the class of work performed by the Department of Overseas Trade, and have been supplied with a list of instances where their work has been commended. We give in Appendix (A) hereto examples from that list in order to illustrate the kind of work which they tell us they are doing.

It appears to us that this sort of canvassing is absolutely outside the scope of ordinary Government business, and ought not to be paid for by the taxpayer. We asked the Department whether they had any really large deals to bring to our notice where they had been instrumental in obtaining trade for the country which would otherwise have been lost, and we were told of a proposal for a contract with a foreign country running into millions of pounds. Upon enquiry, however, we find that this contract involved a guarantee by the British Government, and as it was a class of business in which British Trade is strongly represented in foreign countries we have no reason to suppose that had that guarantee not been necessary, the firms would have required Government assistance of this kind. Indeed, so far as large firms are concerned, we are satisfied that through their own agents they are quite able to handle their own business affairs, and so far as small firms are concerned, we understand it is done to a large extent through Associations to which they subscribe or by their own individual efforts. We are convinced that a Government Department in this country which has no financial responsibility in suggesting or recommend-

ing operations to the mercantile community will do no practical good. To keep up a huge Headquarters establishment in London of 396 persons and offices costing over £120,000 a year in salaries alone, as against approximately £34,000 spent by the Board of Trade and the Foreign Office in 1913/14, appears to us unjustifiable.

The aid which we think the trade of the country can legitimately ask from the Government is in connection with Tariffs, with introductions in foreign countries, and general information. Assistance in matters of detail, such as the freight on Jaffa oranges, using up old razor blades or obtaining orders for a few dozen men's shirts is no doubt appreciated when gratuitously rendered, but in our judgment it is not for the taxpayer to render this assistance gratuitously.

In these circumstances we are of opinion that considerable economies could be effected if the activities of the Department in London were materially reduced, and such duties as are necessary taken over by the Board of Trade by combining with the Commercial Relations and Treaties Department. A very large reduction should be possible in the Headquarters organisation, upon which the Holmes Committee has reported, "so far as we can gather, it has become a vast repository and not a vehicle for information." The commercial representatives in foreign countries would, as we think is right, come under the Foreign Office, but be available for direct communication from the Board of Trade. Some economies, without loss of efficiency, should result from a combination in certain cases of the duties of Commercial representative and the ordinary Diplomatic Staff. In Dominions and Crown Colonies the Board of Trade might have their own direct representatives, if necessary, of which we are doubtful. The Export Credits Division and the Exhibition Branch of Overseas Trade Department would be similarly merged with the Board of Trade.

4. *Petroleum Department.*

The Petroleum Department was set up in April, 1917, in order to co-ordinate the supply of petroleum to different Departments, a problem rendered acute by war conditions, and was originally under the ægis of the Ministry of Munitions. It was made a separate Department in November, 1919.

It is proposed to have a staff of nineteen on the 1st April, 1922, and the cost for the next financial year is put at £9,000. So far as home production of oil is concerned, the need for a separate Petroleum Department is not apparent, and if, now that normal conditions are restored, the Government Departments which purchase petroleum require expert assistance and advice, we think this could be much more economically afforded by the Board of Trade with the assistance of an expert adviser, and that the separate organisation, consisting of nineteen persons, costing £9,000 per annum, is unnecessary.

## APPENDIX (A).

EXTRACTS FROM LIST OF LETTERS OF APPRECIATION AND RESULTS OBTAINED SUBMITTED BY THE DEPARTMENT OF OVERSEAS TRADE.

* * * : *Telephone Apparatus.*

By reason of assistance and support given to the * * * agents of the * * * of * * *, four different firms in * * * have installed this firm's apparatus for intercommunication within their own buildings. The firm has also obtained a contract for the installation of telephone apparatus at the * * * of * * *.

* * * : *Cutlery.*

* * * have invented an appliance for utilising old safety razor blades, and are finding a steady market for it in this country. It appears that a German firm are producing an article on the same lines, and information to this effect was conveyed to Messrs. * * *, who have addressed the following letter to the Department :—

> " We feel deeply indebted to you for so closely looking after our interests and for calling our attention to * * *. It is by these things being brought to the notice of manufacturers as soon as the information is available that much assistance is rendered, and no doubt very often is the cause of saving a manufacturer considerable loss and litigation by being informed at once.
>
> " We should like to express our appreciation of your interest on our behalf."

* * * : *Snap Fasteners.*

A report concerning American and German competition in snap fasteners was recently supplied to * * *, who acknowledged it as follows :—

> " The information which you give is most interesting and should be extremely valuable to manufacturers of snap fasteners in this country . . . . We tender you the best thanks of * * * for the endeavours you are making to keep English manufacturers posted with the proceedings of their competitors in other countries."

* * * : *Textiles, Chinaware and Carpets.*

Advice of the prospective visit to the United Kingdom of Mr. * * *, the merchandise manager of * * *, a large departmental store in * * * was sent to a large number of firms. An order has now been placed with Messrs. * * * for 500 dozen men's shirts.

* * * : *Fur Machine Needles.*

The * * *, of * * *, have written to the Trade Commissioner in that city as follows :—

> " Our enquiry for fur machine needles is about the only trouble we have given to your Department, and we are surprised at the care and attention given to it, for which we thank you.

"We would state that among other names suggested by your Department was * * * . We have already had two small shipments from him."

** * * : Steel Trusses.*

A special circular, issued on behalf of a * * * enquirer, resulted in "some very interesting quotations" being received by the * * * firm, who have already made purchases in this country from Messrs. * * * of * * * .

** * * : Literature, &c.*

The Commissioner at * * * was informed by the principal of a large boys' school that he was in possession of no catalogues of any British publishing house from which he could select books for prizes, &c.

As a result of a special circular, sixteen publishers have forwarded catalogues or samples to the heads of a number of schools in * * * , who now have at their disposal complete lists of the latest school books. The principals of several schools requested the Trade Commissioner to thank the Department for its assistance.

*President of the Jaffa Orange Growers' Association.*

"I am pleased to inform you that I have at last succeeded in getting the shipping controversy concluded between the Jaffa Growers and the Liners. I take it that your influence has been instrumental in getting the Liners to consent to the reduction, and I thank you most sincerely for the help thus given to us."

*Statistics.*

Statistical information required urgently by Messrs. * * * , of * * * , and asked for by return of post, was despatched from the office within two hours of the receipt of the enquiry. The firm write :—

"Kindly accept our very best thanks for the prompt attention which you have given to this matter. It will be satisfactory for you to know that the information supplied is exactly what we required, and it is calculated to be of considerable value to us."

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## Chapter III.

### EXPORT CREDITS SCHEME.

| | |
|---|---|
| 1913/14 ... ... ... ... ... | Non-existent. |
| 1921/22 Estimate ... ... ... | £5,000,000 |
| 1922/23 Provisional Estimate ... ... | £1,000,000 |

Since the Provisional Estimate was furnished the Treasury have been asked to provide £2,500,000.

Staff, 12 ... ... Costing £10,210 per annum in 1922/23.

1. Various schemes have been adopted during the last two years with the object of encouraging the export of British-manufactured goods. At first the present scheme was limited in its application. The amount authorised under "The Overseas Trade (Credits and Insurance) Act, 1920," to be employed under the scheme was not to exceed £26,000,000, and the actual amount required in any year must, of course, be voted by Parliament in the ordinary way.

The scheme provided for advances being made by the Export Credits Department, now a section of the Department of Overseas Trade, up to 80 per cent. of the cost of goods exported to the Baltic and Balkan States. With a view to relieving unemployment, the scheme was extended in November last to include all countries. The scheme for advances has been replaced by arrangements for guaranteeing drafts.

Interest is charged at 1 per cent. above bank rate, with the minimum of 6 per cent. and commission at 3 per cent. for the first year, 4 per cent. for the second year, and 5 per cent. for the third year. The final liquidation was originally fixed for the 8th September, 1925; but it has now been extended by another two years to the 8th September, 1927.

2. The following statement shows the Advances, Guarantees and Credits sanctioned and taken up for the period ended the 31st December, 1921, and also the Guarantees to Banks under Part II of Export Credits Extended Facilities :—

| — | Sanctioned. | Taken up. | — |
|---|---|---|---|
| | £ | £ | |
| Advances ... ... | 3,066,780 | 1,412,210 | Repaid £45,935. |
| Guarantees ... | 1,976,884 | 258,537 | Retired £3,990. |
| Credits ... ... | 1,016,000 | 7,929 | — |

Guarantees to Banks under Part II of Export Credits Extended Facilities £8,400.

Of the balance of advances sanctioned but not taken up (£1,654,570), we are informed that £1,302,692 may be regarded as having lapsed.

3. We understand that goods are being exported to the following countries :—

| *Advances.* | *Guarantees.* |
|---|---|
| Czecho-Slovakia. | Roumania. |
| Roumania. | France. |
| Austria. | Portugal. |
| Baltic Provinces. | Australia. |
| Jugoslavia. | Jugoslavia. |
| Bulgaria. | Austria. |
| Poland. | Italy. |
| Finland. | |

Guarantees have also been given for moderate amounts in respect of exports to Poland, Esthonia, Java, Siam, and Holland, and for quite small amounts for other countries.

4. It was anticipated that of the total commitments for advances £351,878 might have to be advanced during the current financial year in fulfilment of sanctions, and that at the present rate of progress the sums credited under the scheme will, during the next financial year, raise the total commitments to the total amount authorised by Parliament, namely, £26,000,000; but it is impossible to estimate with any precision the extent to which public funds will be called upon to make payments in respect of these commitments. The Treasury, however, have been asked to provide £2,500,000 in the estimates for next year. If this is a true estimate the business must be of a very risky nature, and having regard to the rates of commission charged, we think that £500,000 should be the outside figure budgeted for.

No loss has so far fallen on the Exchequer. One transaction may result in a small debit balance in the final liquidation; but we understand there are ample resources in hand from the fund formed by the commissions charged, which to date amount to £64,544.

The scheme is an experiment to restart the export credit of the country, and we make no further recommendation.

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## Chapter IV.

### MERCANTILE MARINE SERVICES, CLASS II (12).

| | | £ Ordinary Services. | £ War Services. |
|---|---|---|---|
| 1913–14 | Audited Expenditure ... ... ... | — | 118,484 |
| 1921–22 | Net Estimates ... ... ... ... | 433,363 | 73,500 |
| 1922–23 | Provisional Estimate ... ... ... | 364,185 | 67,500 |

1. Of the reduction of £69,178 for ordinary services in 1922/23 as compared with the current year, £53,230 is attributable to the fall in Bonus and Wages.

The total staff employed in August 1914 was 942 and the corresponding figure for January 1922 is 1,024.

The Vote may be sub-divided as follows :—

| —— | Audited Expenditure 1913-14. | Estimate 1921-22. | Provisional Estimate 1922-23. |
|---|---|---|---|
| | £ | £ | £ |
| Mercantile Marine Offices, &c. ... | 74,015 | 168,553 | 145,500 |
| Surveyors, &c. ... ... ... | 89,294 | 264,115 | 240,800 |
| Wrecks and Casualties ... ... | 1,130 | 1,100 | 1,100 |
| Saving Life ... ... ... ... | 22,225 | 22,550 | 20,600 |
| Relief of Distressed British Seamen Abroad. | 5,224 | 74,250 | 74,250 |
| General Register and Record Office of Shipping and Seamen. | 13,036 | 50,650 | 40,800 |
| Miscellaneous ... ... ... ... | 2,942 | 12,880 | 12,870 |
| Gross total ordinary services... | 207,866 | 594,098 | 535,920 |
| *Deduct*— | | | |
| Appropriations-in-Aid ... ... | 89,382 | 160,735 | 171,735 |
| Net total ordinary services ... | 118,484 | 433,363 | 364,185 |
| War services ... ... ... | — | 73,500 | 67,500 |
| Total net estimate ... ... | 118,484 | 506,863 | 431,685 |

The functions of this Department have not changed since 1913/14, apart from a considerable amount of temporary work arising out of the war, principally in connection with the Royal Naval Reserve, *e.g.*, awards, gratuities, pensions, certificates, medals, prize money, peace retainers, &c.

2. *Mercantile Marine Offices.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... ... | 74,015 |
| 1921/22 Estimate ... ... ... ... | 168,553 |
| 1922/23 Estimate ... ... ... ... | 145,500 |

Of the total of £145,500 in the Provisional Estimate for 1922/23, £20,000 was included for the Atlantic Ice Patrol, which we understand is to be reduced to £10,000. The remaining £125,500 is for Mercantile Marine Offices, towards which fees produce £30,000.

The Mercantile Marine Offices were originally started in 1850 with the idea that they should be self-supporting by fees levied for engagement and discharge of Seamen, but these fees, which amounted to roughly £70,000 in 1882, were abolished by the Board of Trade in that year. In 1892 Parliament took away from the Board of Trade their power to charge any fees in connection with engagement and discharge at a Mercantile Office. There is now no power, therefore, under the Merchant Shipping Acts to levy fees for the engagement and discharge of Seamen in the United Kingdom; but fees are paid by the shipowner if the engagement and discharge takes place on board ship at the request of the shipowner, and these largely make up the £30,000

above. The total number of engagements and discharges of Seamen per annum may be put at roughly 1,000,000, and we recommend that this service should be rendered again self-supporting as it was prior to 1882, after certain steps, which are in contemplation for reducing the cost of the organisation by limiting the work and by improvement in organisation, have been given effect to.

We have examined the statistics of engagements and discharges at the principal ports and find that Mercantile Marine Offices are maintained at places where engagements and discharges per annum are relatively small, in some cases less than 1,000 per annum. We do not think that the retention of an office is justified in circumstances such as these and recommend that a minimum number should be laid down and if the engagements and discharges for an average of three years fall below this minimum the office should be closed and the work placed upon the Customs Officers.

3. *Surveyors.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 89,294 |
| 1921/22 Estimate ... ... ... ... | 264,115 |
| 1922/23 Estimate ... ... ... ... | 240,800 |

Although the expenditure on the Survey Service amounts to some £240,000, the receipts from fees are only £42,000. The Surveyors are stationed at twenty-nine of the principal Ports and their work may be roughly divided as follows :—

| | Per cent. |
|---|---|
| Survey of passenger vessels ... ... ... ... | 44 |
| Tonnage and Load-line ... ... ... ... | 27 |
| Minor Surveys, Inspections and Police work ... | 29 |

The Staff of Surveyors has increased from 178 on the 1st September, 1913, to 221 on the 1st September, 1921, or by 24 per cent. During this period all the salary scales have been considerably decreased, apart from the application of the war bonus.

The total number of vessels completely surveyed during the twelve months ended October, 1921, was 1,469, compared with 1,911 during the twelve months ended October, 1913, a decrease of 23 per cent. Certain additional duties have been imposed, but on the whole we do not consider the work in 1922/23 will be in excess of pre-war, and we suggest the number of staff should be limited to that extent.

The Surveyors of the Board of Trade do not carry out all the work of surveying, as a large proportion of the survey work in connection with the Load-line of British ships is carried out by the Classification Societies. We have considered whether a greater proportion of this expenditure can be recovered from fees which at the present time are limited by statutory maxima

specified in the Merchant Shipping Act, 1894, reproduced from the Merchant Shipping Act, 1854. As an example of the inadequacy of these fees we would point out that the highest fee chargeable for the tonnage measurement of a ship is £10, this being the fee for tonnage measurement for any ship of 5,000 tons and upwards. With the growth of the average size of vessels fees of this description are obviously quite inadequate, and we suggest that the necessary steps be taken to obtain powers to revise fees for these services, so that after economies in staff have been effected they shall be self-supporting.

4. *Food Inspection.*

There are at the present time twenty-three inspectors appointed under "The Merchant Shipping Act, 1892," and stationed at London, Cardiff, Glasgow, Liverpool and Newcastle for the inspection of ships' provisions. We think that with the greater organisation of the seamen the time has probably arrived when the Government might retire from regular duties of this character, retaining one or two inspectors for intermittent inspection and special enquiry.

5. *Relief of Distressed British Seamen Abroad.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... ... | 5,224 |
| 1921/22 Estimate ... ... ... ... | 74,250 |
| 1922/23 Provisional Estimate ... ... .. | 74,250 |

This provision is for relief of distressed British seamen abroad, and no accurate Estimate is possible. The outlay, however, is largely recoverable.

6. *General Register and Record Office of Shipping and Seamen.*

| | £ |
|---|---|
| 1913/13 Audited Expenditure ... ... ... | 13,036 |
| 1921/22 Estimate ... ... ... ... | 50,650 |
| 1922/23 Provisional Estimate... ... ... | 40,800 |

The staff employed in this Department has increased from 101 on the 1st August, 1914, to 186 at the present time. The increase is said to be due primarily to war causes, and a considerable reduction is anticipated during the present calendar year.

The work is dealt with in two main branches, one dealing with the Royal Naval Reserve and the other with Merchant Shipping. The main increase in staff has been in the Royal Naval Reserve Branch. During the war the Royal Naval Reserve Force increased from 18,223 to 94,300, and a considerable additional staff has been necessary in connection with demobilisation work, issue of prize money, certificates of war service, and the compilation of a complete alphabetical index of the Royal Naval Reserve Force. We are informed that a second distribution of prize money will be made in a few weeks' time, after which the staff will be reduced to normal.

The Merchant Shipping Branch performs regular work in connection with the registration and records of ships and seamen under the Merchant Shipping Acts, and this work has largely increased, as will be gathered from the following figures :—

| | Average number of Annual Registrations. 1912/14. | 1919/21. |
|---|---|---|
| Change of ships' names ... ... | 220 | 470 |
| Vessels registered ... ... ... | 1,855 | 2,044 |
| Registers closed ... ... ... | 1,481 | 1,842 |

This branch also undertakes a variety of duties such as—

Registration of seamen.
Searches for missing seamen.
Verification of service.
Issue of masters', mates', &c., certificates.
Examination of deserters' wages accounts.
Sight-testing examinations.

Apart from special work arising out of the war, we think the duties within the compass of a staff on a pre-war basis and the cost of a normal staff should be largely met by charging appropriate fees for the services rendered.

7. *Miscellaneous.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... ... | 2,942 |
| 1921/22 Estimate ... ... ... ... | 12,880 |
| 1922/23 Provisional Estimate ... ... ... | 12,870 |

The main item is for expenses and wages of seamen left abroad, and we make no recommendation.

8. *War Services.*

| | £ |
|---|---|
| 1921/22 Net Estimate ... ... ... ... | 73,500 |
| 1922/23 Provisional Estimate ... ... ... | 67,500 |

This Vote for 1922/23 includes £3,500 for war medals, memorials and plaques for the Mercantile Marine.

There are also included an item of £55,000 for payment to the General Lighthouse Fund and other Lighthouse Authorities in respect of the removal of war wrecks lying around the coasts in positions dangerous to navigation, and an item of £9,000 for Turkish Lighthouses temporarily in British occupation. These two items have now been altered to £45,000 and £10,000 respectively, and we make no recommendation.

## Chapter V.

### MINES DEPARTMENT.

| | £ |
|---|---|
| 1913/14 Audited Expenditure (borne on Home Office Vote) ... ... ... ... | 60,652 |
| 1921/22 Estimate ... ... ... ... | 211,910 |
| 1922/23 Estimate ... ... ... ... | 177,877 |

1. The staff employed in August, 1921, was 411 and the estimated staff required at the 1st April, 1922, is 355.

The Mines Department was first established on a temporary basis during the war for the control of the production and distribution of coal. By the Mining Industry Act of 1920 it was placed on a permanent basis under a Parliamentary Secretary of the Board of Trade. The functions of the Department may be described as follows :—

(i.) To secure the most effective development and utilisation of the mineral resources of the United Kingdom and the safety and welfare of those engaged in the mining industry.

(ii.) The collection, preparation and publication of information and statistics relating to the mining industry.

(iii.) The continuance of coal control for a period of one year from the 31st August, 1920, with a possibility of extension for a further six months.

(iv.) To make regulations for the constitution of (i) Pit Committees, (ii) District Committees, (iii) Area Committees, (iv) a National Board, to discuss and make recommendations as to health and safety of workers, output, wage disputes, &c., the Department having power to enforce compliance with such recommendations if finally approved.

(v.) To make schemes as to drainage.

(vi.) To make regulations with respect to metalliferous mines.

(vii.) To regulate a fund for the improvement of the social conditions of colliery workers, the fund to be obtained by a levy of one penny on each ton of coal raised and to be allocated by a committee of five persons.

On the setting up of the Department on a permanent basis in September, 1920, there were transferred—

(viii.) The powers of the Home Office to make regulations regarding health and safety, &c.

So far as we understand, the circumstances have completely changed since the Department was formed. The mines have been returned to the owners, and voluntary arrangements have been come to between the owners and the men which render

certain parts of " The Mining Industry Act, 1920," inapplicable or inoperative. Further, the question of State acquisition of Royalties appears to be one which, in the present financial stringency of the country, will necessarily have to be deferred. In these circumstances we feel that considerable economies could be made in staff, office accommodation, &c., if the functions which were gathered from various Ministries reverted to those Ministries.

2. In addition to its permanent functions, the Mines Department is engaged in clearing up the accounts of the Coal Mines Agreement Confirmation Act and the Coal Mines Emergency Act, and we understand that the work at present in hand will keep the staff fully occupied until the end of the financial year 1922/23. The number so employed is seventy, at an annual cost of £26,000, but these should be regarded as special aftermath services.

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## Chapter VI.

### MINISTRY OF TRANSPORT.

| | £ |
|---|---|
| 1913/14 ... ... ... ... ... | Nil.* |
| 1921/22 Net Estimate ... ... ... | 453,502 |
| 1922/23 Net Provisional Estimate ... ... | 280,000 |

Since the provisional Estimate was submitted a revised Estimate of £243,500 has been put forward.

1. Having regard to the fact that the Chairman of the Committee was the first Minister of Transport, he desired that this Vote and the Road Fund should be considered in his absence, and the following letters exchanged between the Chairman and yourself show that you agreed with the course suggested :—

*Treasury Chambers,*
*Whitehall, November* 18, 1921.

My dear Chancellor,

The Committee on National Expenditure will be considering the Ministry of Transport Estimates and the question of the Road Fund next week. It would be more satisfactory to myself, and I think it would be appropriate if I absented myself from that part of the enquiry and took no responsibility for the Committee's recommendations in their report.

If you would be good enough to express your willingness to relieve me from taking any share in that part of the remit, I will consult my colleagues, and then if you and they agree.

* Included under Board of Trade, Road Fund, &c.

I will invite them to select their own Chairman for that part of the investigation. I do this because the figures which will come before them were in fact prepared and submitted to the Treasury while I was Minister of Transport, and I do not wish to take part in criticising or defending my own actions.

As you know, before I relinquished my post as Minister of Transport, I expressed the opinion to the Prime Minister that in view of the passage of the Railway Act, 1921, restoring the railways to private ownership, there was no justification for retaining a separate Ministry of Transport, especially having regard to the existing financial stringency. Should the Committee adopt the view which I, as Minister of Transport, held on this point, I would propose, if you agree, to take part in their discussions as to the best distribution of the Ministry's work among existing Departments of the Government.

With that one exception, I would prefer to take no part in the matter, and shall be glad to know that you agree to my taking this course.

Yours sincerely,

(Signed) ERIC GEDDES.

The Right Hon. Sir Robert Horne,
G.B.E., K.C., M.P.,
The Treasury, Whitehall, S.W.1.

*Treasury Chambers,*
*Whitehall, November* 21, 1921.

My dear Geddes,

With reference to your letter of the 18th instant, I entirely agree with the course you propose to take in connection with the deliberations of the Committee on National Expenditure in regard to the Ministry of Transport.

Yours very sincerely,

(Signed) R. S. HORNE.

The Right Hon. Sir Eric Geddes,
G.C.B., G.B.E., M.P.

2. The Ministry was formed in 1919 with the object of amalgamating in one Ministry all the functions and duties in connection with Transport, including the maintenance of roads, which were spread over several Departments. Duties were transferred from the following :—

Board of Trade.
Ministry of Health.

Road Board, powers and duties in relation to roads, bridges, ferries, vehicles and traffic.
First Lord of the Admiralty.
Commissioners of Works, powers in relation to Menai Bridge.
Secretary for Scotland.
Lord Lieutenant of Ireland.
Commissioners of Public Works, Ireland.
Congested Districts Board for Ireland.
Department of Agriculture and Technical Instruction, Ireland.

The Act of 1919 also conferred upon the Minister extensive powers for making advances for the construction, improvement and maintenance of railways, light railways, tramways, harbours, docks, and inland navigations, and the promotion and improvement of transport services.

Considerable improvement, standardisation and development of the canals and inland waterways of this country were also under contemplation.

In existing circumstances it is clear that these duties of the Ministry will be incapable of realisation for a long time.

In addition to the various duties transferred, the Ministry was specially charged with the duty of liquidating the various agreements entered into during the war for taking possession of the railways, canals, &c. It was obvious at that time that some railway legislation would be necessary and the Minister was specially charged with the duty of considering and formulating the policy to be pursued as to the future position of railway undertakings. The size and scope of the Ministry depended mainly upon the railway situation and the settlement of the future of railways.

This question was settled in the Act of last session, and the responsibilities of the Minister under that Act are not much more extensive than those existing before the war. There also remains the important work of liquidating the Government's liabilities under the agreements for the control of the railways. In this liquidation large sums of expenditure have still to be investigated and many questions involving highly technical matters will have to be determined.

We are reviewing the question of this liquidation work in a later report on the Disposal Board and Liquidation Commission.

3. The activities of the Ministry have already been appreciably reduced, as will be seen from the figures quoted at the head of this chapter, as compared with the current year. The numbers of staff show the following comparison :—

| | August 1, 1921. | April 1, 1922. |
|---|---|---|
| Permanent ... ... | 322 | 320 |
| Temporary ... ... | 356 | 189 |

It is difficult to make a comparison with pre-war, as the number of staff required in the various Departments for the duties transferred are not known. A staff of forty-one was engaged in the Road Board in August, 1914, and a staff of thirty-nine in the Board of Trade, making a total of eighty; but these figures are exclusive of common staff, such as registry, typists, messengers, &c., and also of the Light Railway Commission.

The organisation of the Ministry has been considerably contracted. Of the six separate Departments apart from the Secretariat, only two are now retained, namely, Roads and Finance, and the Roads Department is a separate Department under Statute. This Department has the old functions of the Road Board, and also many added functions, notably the classification of roads for the purpose of grants and the collection of the Motor Taxation, which is assigned to the Road Fund.

Of the gross expenditure some £74,000 is in respect of the Director-General of Roads and his staff and the members of the Finance Branch attached to that Department. These functions will continue whether the Ministry of Transport be continued or not.

4. Included in the Estimates of the Ministry of Transport are items of £13,700 for the Irish Branch; but with a settlement of the Irish question this expenditure would no longer be required. The Estimate also includes the following items :—

| | £ |
|---|---|
| Holyhead Harbour ... ... ... | 5,607 |
| Ramsgate Harbour ... ... ... | 1,000 |
| Caledonian and Crinan Canals ... | 37,550 |

and the Department is also responsible for the Menai Bridge, although no special item of expenditure is shown under that heading. So far as Holyhead Harbour is concerned, a portion of the estate is now leased to the London and North-Western Railway Company, and the balance is merely in respect of the harbour of refuge, which is of national importance. Ramsgate Harbour is of purely local importance, and we are of opinion that the responsibility for that harbour should be undertaken by the Local Authorities. It is questionable whether the Caledonian and Crinan Canals satisfy the test of national importance, and arrangements should, if possible, be made for their control and management to be undertaken by local bodies. The Menai Bridge at one time formed part of the highway to Ireland; but it appears now to have assumed less importance from the national point of view, and, in conformity with the general practice in regard to bridges and highways, it should now fall under the control of Local Authorities.

In all the circumstances we agree with the views expressed in the penultimate paragraph of the letter from Sir Eric Geddes to you quoted above and do not consider that the separate existence of the Ministry can longer be justified, having regard

to the curtailment of activity on the termination of the possession of the Railways by the Government, and the handing over to the Disposals Board of the Locomotives, Wagons and Lorries previously held by the Ministry.

The question remains for consideration as to which Ministry shall be responsible for the permanent work of the Ministry of Transport, which is necessary both in the interests of the public and of the railways.

The Ministry of Transport was originally intended to deal with all questions affecting transport and power, and we think that economy and efficiency would be attained if all such questions of transport by sea, rail, road and canal, and questions of power and coal, were grouped in the Board of Trade under one Parliamentary Secretary, to assist the President. If our recommendations on this point were adopted, a second Parliamentary Secretary could take all trade questions, including Treaties and Tariffs, Patents, Bankruptcy, &c. As the Board of Trade and Ministry of Transport have now together two Ministers and four Under-Secretaries, this would effect a saving of one Minister and two Under-Secretaries, unless one were required for " aftermath " services. We consider that a reorganisation of the Board of Trade on these lines would enable the Department to get to work on a normal basis and should be conducive to efficiency and economy.

As pointed out in paragraph 15 of chapter I under the Board of Trade, our task of criticising the Department's Estimates has been rendered infinitely more difficult on account of the very large proportion of temporary and expiring services which have been tacked on to it, *e.g.*, Food, Wheat Supplies, Clearing Office for Enemy Debts, Russian Claims, Reparation Claims, Timber Disposal, War Insurance Accounts, Shipping Claims, Zinc Concentrates Agreement, and now we have to consider also the temporary and expiring work of the Ministry of Transport in clearing up the Control Accounts of the Railway Agreements.

We feel that a great deal is to be said for concentrating all these temporary and expiring matters, which will extend beyond midsummer next, under one head, in a Liquidation Branch, corresponding in some respects to the Disposal Board and Liquidation Commission. We can see no material economy in retaining these in the Board of Trade. They would roughly account for a staff of 2,274 out of the total Board of Trade staff of 33,790, and it is manifestly impossible for a Department to get down to its normal work and dimensions if it has all these aftermath of the war services to deal with. They necessarily create an atmosphere of inflation, and tend to keep a larger staff than is necessary both for the temporary and for the permanent services. On the other hand, if the temporary services were all grouped together, the staff involved and the work they were doing would be under continual review, and

their steady decrease as the work fell would be more easily and efficaciously controlled, by the Treasury and by Parliament.

While we do not feel that we can make a definite recommendation on this without more detailed consideration, we do recommend that in the interests of economy and efficiency, the Government should consider whether such a suggestion should not be given effect to.

## CONCLUSIONS.

**As a result of our consideration, we are of opinion:—**

**(1.) That the Ministry of Transport should cease as a separate Ministry and its functions should be transferred to the Board of Trade. The Road Department and the Electricity Commissioners should come under the President of the Board of Trade.**

**(2.) That the Department of Overseas Trade should cease as a separate Department and the necessary duties in London be undertaken by the Board of Trade.**

**(3.) That the Mines Department should cease as a separate Department, the various functions reverting to the Departments originally responsible for them.**

**(4.) That the Petroleum Department should be discontinued.**

**(5.) That economies can be effected in connection with the Surveys of Ships and General Register of Shipping, and, after these economies have been effected, the services should be placed on a self-supporting basis.**

**(6.) That there is much to be said for grouping the aftermath services, as detailed in our Report, and for removing them from the Board of Trade.**

**(7.) That the Net Estimates for ordinary services of the Board of Trade, including all the Departments covered by this Part of the Report, should be reduced from £1,887,856 to £1,350,000, and that the Vote for Export Credits should be limited to £500,000 instead of the £1,000,000 asked for in the Provisional Estimate and subsequently increased to £2,500,000.**

## PART V.

# REPORT ON GOVERNMENT EXPENDITURE ON AGRICULTURAL AND FISHERY SERVICES.

### Introductory Remarks.

The Provisional Estimates submitted to the Committee of the cost of these Services in 1922/23 amount to £3,017,417, as compared with £731,630 in 1913/14, made up as under :—

| | 1913–14 Audited Expenditure. | 1921–22 Estimates. | 1922–23 Provisional Estimates. |
|---|---|---|---|
| | £ | £ | £ |
| Ministry of Agriculture and Fisheries | 264,312 | 3,009,207* | 2,050,171 |
| Board of Agriculture, Scotland ... | 233,245 | 452,064 | 355,971 |
| Fishery Board, Scotland ... ... | 23,511 | 62,451 | 57,629 |
| Ordnance Survey ... ... ... | 210,199 | 335,346 | 278,646 |
| Forestry Commission ... ... | — | 200,000 | 275,000 |
| | 731,267 | 4,059,068 | 3,017,417 |

As in other Departments, we find that, apart from new services, such as Land Settlement and Afforestation, there has been a great increase in activity.

Throughout our Report, both as regards Fighting and Social Services, we have commented on the large increase in expenditure on Education and Research. It is particularly true of the services dealt with in this part of the Report. The total expenditure under these two headings in 1913/14 was £128,000, whilst £530,000 is the amount intended to be spent in 1922/23, an increase of 314 per cent.

## Chapter I.

## MINISTRY OF AGRICULTURE AND FISHERIES.

1. The Provisional Estimates for 1922/23 compare with the corresponding expenditure in 1913/14 and with the current year's Estimates as follows :—

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 264,312 |
| 1921/22 Net Estimate ... ... ... | 3,009,207* |
| 1922/23 Provisional Net Estimate ... | 2,050,171 |

* Exclusive of £133,000 non-recurring expenditure for Herring Fisheries and £69,398 for Agricultural Wages Board.

A detailed comparison of the expenditure under each main heading is as follows—

| —— | 1913–14. | 1921–22. | 1922–23. |
|---|---|---|---|
| | £ | £ | £ |
| Administrative Expenditure ... | 168,544 | 956,653 | 658,677 |
| Agricultural Education and Research | 64,338 | 567,810 | 364,760 |
| Livestock, Reduction of Disease, Improvement of Livestock and Light Horse Breeding. | 88,527 | 233,160 | 221,685 |
| Land Settlement, Cultivation and Improvement. | 44,250 | 931,400 | 914,650 |
| Royal Botanic Gardens, Kew ... | 29,018 | 56,196 | 47,816 |
| Miscellaneous Development Schemes | 276 | 5,000 | 5,000 |
| Fishery Services ... ... ... | 19,139 | 67,430 | 24,355 |
| Gross Total for Ordinary Services. | 414,092 | 2,817,649 | 2,236,943 |
| Appropriations-in-Aid, excluding grants from Development Fund. | 50,709 | 134,054 | 135,117 |
| Net Estimate, Ordinary Services | 363,383 | 2,683,595 | 2,101,826 |
| Services arising out of the war— | | | |
| Agricultural Training of ex-Officers and Men. | — | 511,500 | 75,000 |
| Appropriations-in-Aid ... ... | — | 8,000 | — |
| Net Estimate for War Services | — | 503,500 | 75,000 |
| Total Net Estimates, excluding grants from Development Fund. | 363,383 | 3,187,095 | 2,176,826 |
| Total Net Estimates, including grants from Development Fund. | 264,312 | 3,009,207 | 2,050,171 |

This shows that the expenditure of the Department of Agriculture and Fisheries for ordinary Services, whether drawn from the Votes or drawn from the Development Fund, has increased from £363,383 in 1913/14 to £2,101,826 in 1922/23, or nearly six-fold. Of this increase, £1,114,000 is accounted for by new services undertaken by the Board since 1913/14, leaving £624,000 as the additional cost of the pre-war functions of the Ministry; an increase of 172 per cent., which is in excess of any general rise in salaries, &c.

We will now deal seriatim with the main heads under which the account is set out above :—

| | *Administrative Expenditure.* | £ |
|---|---|---|
| 2. | 1913/14 Audited Expenditure ... ... | 168,544 |
| | 1921/22 Estimate ... ... ... ... | 956,653 |
| | 1922/23 Provisional Estimate ... ... | 658,677 |

The large drop in the estimated cost of Administrative Expenditure for 1922/23 compared with the current year is mainly due to the Corn Production Acts (Repeal) Act, 1921, and to the automatic reduction of bonus.

Compared with 1913/14, the Estimate for 1922/23 shows an increase of £490,133, or 291 per cent., and so far as we have been able to ascertain, the principal increases in the cost of administration may be estimated approximately as under for the following services :—

| | *Increased Expenditure* 1922/23 *over* 1913/14. |
|---|---|
| | £ |
| Education and Research ... ... ... | 40,000 |
| Live Stock Schemes ... ... ... | 30,000 |
| Land Settlement ... ... ... ... | 120,000 |
| Fisheries ... ... ... ... ... | 30,000 |
| Land Cultivation and Drainage ... ... | 10,000 |
| Statistics ... ... ... ... ... | 30,000 |
| County Agricultural Committees ... | 20,000 |
| Publicity ... ... ... ... ... | 10,000 |
| Rats and Mice Act, 1919, and Seeds Act, 1920 ... ... ... ... ... | 9,000 |

It would not be possible, without a detailed investigation of the various Departments concerned to form any reliable estimate of the full extent to which economies might be effected in administrative expenditure, but we are informed that since the Provisional Estimate was submitted, a further reduction of £32,000 in Salaries and Wages has been agreed.

We have ascertained that the new item of £20,000 included for County Agricultural Committees includes a large margin for emergencies, and we suggest a reduction of £10,000 under this heading. This is in part a non-recurrent charge.

The activities of the Ministry under the Rats and Mice Act, 1919, include the manufacture of bait required by Government Departments. We have seen a copy of the Trading Account of the Bait Factory, but no actual sales take place, and therefore the selling price is merely one necessary to balance the account. The total amount manufactured up to the 31st March, 1921, was only 12,000 lbs. A much larger output is anticipated this year. This manufacture is not, in our opinion, a necessary function of the Ministry of Agriculture, and we cannot believe that adequate and satisfactory supplies cannot be obtained through trade channels. All large undertakings, such as Railway, Dock and Warehouse Companies require supplies of this nature, which they obtain without difficulty at a small cost.

Publicity, including the cost of the Ministry Journal and leaflets, costs £10,275. We are told that the Journal this year will be self-supporting, and that sales of leaflets cover 50 per cent. of the cost. We think, having regard to fall in prices,

a gross provision of £8,000 should suffice, towards which there should be an appropriation-in-aid of at least £7,000. Any deficiency of receipts should be met by a corresponding reduction of expenditure.

The above savings amount to about £45,000 to which must be added the savings in headquarters' salaries and wages, travelling expenses, and statistics which would follow the proposed curtailment of the activities of the Ministry as set out later in this Report. We consider that the Estimate for Administrative Expenditure on account of Agricultural and Fishery Services should be reduced by at least £100,000.

*Agricultural Education and Research.*

| | | £ |
|---|---|---|
| 3. | 1913/14 Audited Expenditure ... ... | 64,338 |
| | 1921/22 Estimate ... ... ... | 567,810 |
| | 1922/23 Provisional Estimate ... ... | 364,760 |

The drop in the Estimate for 1922/23 compared with the current year is largely due to the inclusion of a non-recurring loan of £125,000 to Home Grown Sugar (Ltd.), in the 1921/22 Estimate under this heading. It is probably too early to express a final opinion on the efforts to develop home grown sugar, but up till now the results are extremely disappointing. The original capital was £500,000 of which the Government subscribed one-half in the year 1920 and guaranteed 5 per cent. interest on the other half, and this guarantee has been fully operative hitherto and has to be provided for in the Estimates for 1922/23. Before reaching the production stage the company got into financial difficulties. Further capital had to be provided and £75,000 was raised on a first mortgage, and the Government advanced £125,000 on second mortgage.

Dividing the expenditure on Education and Research we find that the £29,000 spent on Education in 1913/14 has increased to £234,000 required for 1922/23. This expenditure is incurred on very much the same lines and with the same ideals as in the case of Education generally, and is disbursed on a percentage basis to the Local Authorities. The average percentage payment is about 68 per cent. In our interim report on Education and Health, we point out the grave disadvantages of the percentage contribution. The same disadvantages appear to be present here and we recommend the abolition of this basis.

It would be impossible, within the scope and time limits of an enquiry such as this, to investigate in detail the objects upon which this money for Education is being spent. We understand that the Ministry is already committed to grants to Colleges, Institutes, &c., at the present rates until October, 1922, the end of the present academic year, and while we consider that a much greater reduction should be effected in subsequent years, we suggest that all the country can afford at the present time is a lump sum grant of £175,000, to be appropriately divided by the Minister of Agriculture on the basis of lump sum or *per capita* grants.

The expenditure on Research has increased from £35,000 in 1913/14 to £113,000 required for 1922/23, of which £105,000 is to be paid for from the Development Fund. This Fund, we are told, will stand at about £1,250,000 at the close of the present financial year. Of this, £400,000 is the balance of the old Fund which has already been almost entirely earmarked for grants by the Development Commissioners.

4. The remaining £850,000 is a sum which will be paid into the Fund by the Exchequer in the current financial year on account of an arrangement with the agricultural community at the time that the Corn Guarantee was repealed. We are told that there was an understanding at that time that this sum of money would be placed at the disposal of the Development Commissioners and the Ministry of Agriculture, to be applied by them on agricultural development (mainly Education and Research) independently of the current expenditure borne on the Votes from year to year.

We understand that when this grant of £850,000 was made, no specific sum was laid down as the normal amount to be borne on the Vote and Development Fund for Education and Research, but we can hardly think that the Government would undertake that the provision of the special grant should preclude substantial economies in future years from the abnormal rate of expenditure current.

We can only consider the Development Fund as Taxpayers' money and we recommend that the total provision for Research from the Vote and Development Fund should be restricted to £75,000 for 1922/23, making the total for Education and Research £250,000—apart from any grant which the Development Commissioners may recommend out of the above mentioned £850,000 placed at their disposal by the Exchequer when the Corn Guarantee was repealed.

We should like to draw attention to the fact that expenditure from the Development Fund does in fact result in recurring expenditure for future years which cannot well be discontinued when the money granted from the Fund is exhausted. We consider that it should be definitely laid down that future expenditure from the Fund or from the special grant of £850,000 should not entail any additional future expense to the State when the money voted is exhausted : in other words, any expenditure involving future commitments should be endowed out of the Fund, otherwise Parliamentary control of expenditure is weakened.

5. *Live-Stock, Reduction of Disease, Improvement of Live-Stock and Light Horse Breeding.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 88,527 |
| 1921/22 Estimate ... ... ... | 233,160 |
| 1922/23 Provisional Estimate ... ... | 221,685 |

We are informed that £140,000 of the total amount of £221,000 shown in the Provisional Estimate for 1922/23 is for compensation to owners of herds which have to be destroyed owing to their having been in contact with infection such as Foot and Mouth Disease, Swine Fever, &c. A revised Estimate reduced

the £140,000 to £108,500. This compares with £43,000 in 1913/14, but there has been considerable disease during the last two years.

This money is voted in order to recoup the Local Taxation Account as required by statute for expenditure incurred in liquidating the claims which have accrued in the previous financial year, and it cannot be further reduced in the year under review.

The scheme for the encouragement of Light Horse Breeding accounts for £30,000 as compared with £24,000 before the war. The object of the scheme is essentially military and in view of the additional reductions in cavalry recommended by the Committee we doubt the necessity for its continuance. The fact that the annual show, at which the premiums are awarded, has been already advertised for next month as usual, makes it impossible to do more in 1922/23 than to reduce the charge somewhat further, but we think that the scheme should then be dropped from this Vote.

The administration of "The Horsebreeding Act, 1918," is estimated to cost £8,000 of which about two-thirds is recovered by fees charged for veterinary examinations. We think that the Act should be amended to permit of the fees being increased to cover the whole cost of this service.

The improvement of Live-Stock has increased from £3,400 before the war to £34,000 to-day. This object is no doubt very desirable, but that it should have increased tenfold appears to us to be excessive activity in times when the financial aspect is of such importance. The grants to Milk Recording Societies account for £12,500 of this expenditure, apart from considerable Administrative cost. The object is to develop the formation of Societies for recording the yields of milk cows so as to promote the breeding of cows on lines of high milk production. It is stated that the operation of these Societies has shown that the average annual yield of milk per cow can be increased from between 400 and 450 gallons to 600 gallons and upwards. If the Ministry are successful in securing a rapid extension of the scheme, there will obviously be on present lines a steady growth of expenditure on subsidies to the Societies. We desire to point out that if the above contention can be established, the scheme is plainly of direct commercial value to the Farmer, and we consider that it should be possible, therefore, to place it upon a self-supporting basis. We understand that a Federation of the Recording Societies is contemplated, and we think that subsidies from Public Funds should be discontinued.

The total provision for live-stock improvement should, we think, be reduced from £34,000 to £10,000.

*Land Settlement, Cultivation and Improvement.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 44,250 |
| 1921/22 Estimate ... ... ... | 931,400 |
| 1922/23 Provisional Estimate ... ... | 914,650 |

6. A revised Estimate for 1922/23 reduced the total amount required under this heading to £873,725. The increase from £44,250 in 1913/14 to £873,725 in 1922/23 reflects the policy

adopted by the Government of settling men upon the land out of Public Funds.

The total capital sum which was approved by Parliament for this purpose was £20,000,000 for England and Wales, and £3,500,000 for Scotland (which will be dealt with later), making £23,500,000 altogether. This sum is provided from the Consolidated Fund through the Public Works Loan Commissioners, and is lent to the Local Authorities—or in Scotland to the Board of Agriculture. In addition, Local Authorities in England and Wales have power to borrow money in the open market, but little has been raised in this way. These Authorities buy or lease land, equip it and let it to small-holders on what is considered a reasonable rent, subject to the approval of the Ministry of Agriculture.

The Local Authorities pay interest and sinking fund on the amounts borrowed by them, and the difference between these charges and the net rents obtained from the holdings has to be made good out of monies provided by Parliament. The amount provided for this purpose in the Provisional Estimate for 1922/23 was £750,000.

The present position of the Land Settlement Scheme in England and Wales may be summarised as follows :—

| | |
|---|---|
| Total capital commitments as at December 31, 1921 ... ... | £15,385,000 |
| Area of land purchased or leased ... | 257,393 acres. |
| No. of small holdings covered by commitments ... ... ... | 17,297 |
| No. of small-holders already settled (included above) ... ... ... | 14,297 |
| No. of qualified and approved applicants not yet provided for— | |
| Ex-Service ... ... ... | 7,593 |
| Civilians ... ... ... ... | 4,749 |
| No. of applicants awaiting interview, &c. ... ... ... ... ... | 9,255 |

The Ministry of Agriculture anticipate that the effective number to be provided for, after the 17,297, for which commitments have already been entered into, are settled, will be only 7,500.

The Ministry have supplied particulars showing that for schemes approved up to the 30th June, 1921, the average capital cost per holding of 14·7 acres was £849, and the average annual loss to the State £29 16*s*.

We are informed that consequent upon alterations in policy and administration, and the fall in prices, considerable economies have recently been effected. On schemes approved during the six months ended the 31st October, 1921, the average capital cost per holding of 11·2 acres has been £448, and the annual loss £13 per holding, and in many cases there are no buildings provided, which accounts for the low average cost. The Headquarters expenditure at the Ministry in 1922/23 will be £75,000, which is equal to about £4 per holding per annum additional loss, which seems very high.

We would point out that, as in the case of Housing Schemes, the same vicious principle applies that the Local Authorities who administer the estates have no financial interest in economy.

The actual loss each year up to the 1st April, 1926, is borne by the taxpayer, but in that year it will take a different form. The holdings will be taken over by the Local Authorities on a valuation and the definite liability of the Government will be ascertained. If the full scheme is carried out, it is estimated by the Ministry that from first to last out of a capital expenditure of about £20,000,000 there will be a loss of about £8,000,000.

While there would appear to be no possibility of avoiding the heavy burden which the Land Settlement Scheme has thrown upon public funds, we consider that at any rate under the present financial conditions the further acquisition of land by Local Authorities should be restricted as far as possible to those cases where holdings can be provided on an economic basis, which was the theory before the war. In addition, however, to this restriction we feel that the limit of £20,000,000 should be reduced, and that capital expenditure under the Act of 1919 should not exceed £17,000,000. The amount for which commitments have been entered into is £15,385,000, so that the reduced limit still leaves a margin of £1,615,000.

7. In addition to the lands purchased by Local Authorities, we understand that there are certain properties held by the Ministry itself under the Small Holdings Colonies Act. We consider that unless this land can be divided into small holdings on an economic basis it should be sold, with consequent improvement in the Budget position in 1922/23 and in numbers of staff at the Ministry.

8. Other items included in the Provisional Estimate are £25,000 for Land Drainage Schemes and £4,000 for grants to the Agricultural Organisation Society for organising co-operation amongst small holdings. We suggest that these items of expenditure should be limited to 50 per cent. of the amounts proposed.

*Royal Botanic Gardens, Kew.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 29,018 |
| 1921/22 Estimate ... ... ... | 56,196 |
| 1922/23 Provisional Estimate ... ... | 47,816 |

9. The increased expenditure provided for 1922/23 compared with 1913/14 is more than accounted for by the increased remuneration of the staff, which has been reduced in numbers.

*Miscellaneous Development Schemes.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 276 |
| 1921/22 Estimate ... ... ... | 5,000 |
| 1922/23 Provisional Estimate ... ... | 5,000 |

10. This item is merely included as a precaution, and, in view of the need for economy, we are of the opinion that expenditure of this kind, which cannot be foreseen, should not be provided for in the Votes.

*The Fisheries Department.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 19,139 |
| 1921/22 Estimate ... ... ... | 67,430 |
| 1922/23 Provisional Estimate ... ... | 24,355 |

11. Compared with the current year, the expenditure under this heading has been very severely cut. Fishing is an important industry to this country, and the total amount included for Research under this heading and the heading of Administrative Staff is £34,000. Apart from small reductions in Administrative cost covered by our recommendation (paragraph 1) as to a general cut in Administrative Cost of £100,000, we do not make any further recommendation. We refer to this again in Chapter III, under the heading of Fishery Board, Scotland.

*Agricultural Training for ex-Service Officers and Men.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | Nil. |
| 1921/22 Estimate ... ... ... | 511,500 |
| 1922/23 Provisional Estimate ... ... | 75,000 |

12. This scheme for assisting ex-officers and men is a post-Armistice measure which cannot, in the view of the Committee, be amended at this date. It is a rapidly-diminishing charge, which must be left to work itself out.

## CONCLUSIONS.

**As a result of our consideration, we are of opinion:—**

**(1.) That Administrative expenditure should be reduced by £100,000.**

**(2.) That, apart from the sum set aside for Education and Research under the Corn Production Acts (Repeal) Act, 1921, the amount for this service should be reduced from £364,760 in Provisional Estimate for 1922/23 to £250,000, and that the system of percentage grants should be abolished.**

**(3.) That economies should be made in the expenditure on the Reduction of Disease, Improvement of Live-stock and Light Horse-breeding amounting to £87,000.**

**(4.) That Land Settlement is proving much more costly than could have been anticipated, the present annual loss under the Land Settlement (Facilities) Act, 1919, alone being £750,000 apart from Headquarters cost. That, in view of this fact, further acquisition of land under the Act of 1919 should be restricted, as far as possible, to cases where holdings can be provided on**

**an economic basis, and that a limit of £17,000,000 total expenditure be substituted for £20,000,000 at present in force.**

**(5.) That, in view of all the circumstances, the Net Estimate of the Ministry of Agriculture should be reduced from £2,050,171 to £1,765,000, and reductions in grant from the Development Fund amounting to £42,500 should be made.**

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## Chapter II.

### BOARD OF AGRICULTURE (SCOTLAND).

1. The provisional Estimate for 1922/23, compared with the actual expenditure in 1913/14, and the Estimate for the current year, is as follows :—

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 233,245 |
| 1921/22 Net Estimate ... ... ... | 452,064 |
| 1922/23 Provisional Net Estimate ... | 355,971 |

This Vote may conveniently be divided under the main headings set out below :—

| —— | 1913–14. | 1921–22. | 1922–23. |
|---|---|---|---|
| | £ | £ | £ |
| Administrative Expenditure ... | 31,619 | 177,041 | 159,677 |
| Agriculture (Scotland) Fund Grant | 185,000 | 200,000 | 140,000 |
| Land Settlement Deficit Grant ... | — | 15,000 | 35,000 |
| Miscellaneous Development Schemes | 614 | 1,000 | 200 |
| Horse Breeding ... ... ... | 2,929 | 2,260 | 2,060 |
| Land Improvement ... ... ... | 247 | 26,050 | 3,540 |
| Agricultural Education and Research | 26,183 | 43,389 | 46,345 |
| Gross Estimate for Ordinary Services | 246,592 | 470,240 | 386,822 |
| *Less* Appropriations-in-aid other than Development Fund Grants | 362 | 7,621 | 6,400 |
| Net Estimate for Ordinary Services | 246,229 | 462,619 | 380,422 |
| Services arising out of the War— | | | |
| Training of ex-Service Men ... | — | 16,900 | 5,000 |
| Net Estimate, excluding Grant from Development Fund | 246,229 | 479,519 | 385,422 |
| Net Estimate, including Grant from Development Fund | 233,245 | 452,064 | 355,971 |

This table shows that the total expenditure on Ordinary Services of the Board of Agriculture, Scotland, including, as in

the case of England and Wales, money spent from the Development Fund, has increased from £246,229 in 1913/14 to £380,422, the amount included in the provisional Estimate for 1922/23.

We deal seriatim with the main heads under which the Vote has been set out above.

*Administrative Expenditure.*

| | | £ |
|---|---|---|
| 1913/14 | Audited Expenditure ... ... | 31,619 |
| 1921/22 | Net Estimate ... ... ... | 177,041 |
| 1922/23 | Provisional Net Estimate ... | 159,677 |

2. This heading represented 13 per cent. of the net Estimates for ordinary services in 1913/14, whereas in 1922/23 this percentage has increased to 42 per cent.

The main item included under this heading is Salaries and Wages, and we are informed that since the provisional Estimate for 1922/23 was submitted, a reduction of £11,161 has been accepted. The cost of salaries and wages has increased from £24,555 in 1913/14 to £135,270, or by 450 per cent., and we are informed that, apart from War Bonus and normal growth owing to operation of salary scales, nearly the whole of this increase is due to extra staff engaged for Land Settlement. We are suggesting a restriction of the present activities in several directions, particularly under the Land Settlement Act, 1919, which we consider should enable this heading to be reduced to £130,000 for 1922/23.

*Grants to Agriculture (Scotland) Fund and for Land Settlement Deficit.*

| | | Grants to Agriculture (Scotland) Fund. | Grant to meet Land Settlement Deficit. |
|---|---|---|---|
| | | £ | £ |
| 1913/14 | ... ... ... | 185,000 | ... |
| 1921/22 | ... ... ... | 200,000 | 15,000 |
| 1922/23 | Provisional Estimate | 140,000 | 35,000 |

3. The Agriculture (Scotland) Fund was established by the Small Landholders (Scotland) Act, 1911, and took over the credit balance of the Congested Districts Fund, together with an annual income of not more than £185,000 of Voted moneys and of £15,000 from the Scottish Local Taxation Account. In addition, £15,000 annually for ten years has been provided by the Land Settlement (Scotland) Act, 1919, for the purpose of improving Crofter housing. A further capital sum of £150,000 for expenditure over a series of years on Agricultural Development (mainly Education and Research) has also been provided in connection with the cessation of the Corn Guarantee. All this money goes into the Agriculture (Scotland) Fund.

The Fund is administered by the Board on the authority of the Secretary for Scotland, and expenditure is not shown on the Estimates or subject to direct Treasury control. We do not see

any reason why the expenditure of the Board in respect of its general duties as an agricultural Department should not be shown in the annual Estimates in the usual way, and we suggest that the Government should consider whether it would not be better to confine the expenditure of the Fund to Land Settlement and Crofter housing, and reduce the Grant-in-Aid accordingly, leaving the expenditure for general agricultural purposes to be voted annually, thereby bringing this expenditure under direct Parliamentary control. Details of the Fund are given in Appendix (A). It will be seen that the balance of over £262,240 in 1913 will have fallen to £23,281 by the end of 1922/23, even if the full amounts asked for are voted, and we therefore think this is a suitable opportunity for reviewing the position of the Fund on the lines suggested.

The Board propose a reduction of £60,000 in the grant to be made by Parliament to the Agricultural Fund for 1922/23 as compared with the current year. A detailed allocation of the proposed expenditure from the Fund in 1922/23 on Agricultural purposes is also given in Appendix (A). We are struck with the large proportion of the amount available for Agriculture which is allocated to Education and Research, viz., £66,125 out of a total expenditure of £111,914. This is in addition to the sum of £46,345 shown in the Vote under the heading of Agricultural Education and Research, so that the total amount to be expended on Education and Research in 1922/23 is £112,470, which compares with a proposed expenditure for England and Wales of £364,760. We consider that under present financial conditions this expenditure should be capable of a reduction of £50,000, thus leaving £62,470, or rather more than one-sixth of the provision for England and Wales, which is approximately the ratio of the Agricultural population of the two countries. If additional facilities are required in Scotland, there remains the special grant of £150,000 made as a sequel to the Repeal of the Corn Production Act, and we think an endeavour should be made to obtain contributions from Local Authorities as in England.

The amount allocated from the Fund for the Improvement of Live-Stock and Horse Breeding is £38,237, and there is a further item of £2,060 in the Estimate for expenditure under the Horse Breeding Act, making a total of £40,297. This expenditure compares with £72,675 in England and Wales, and we suggest a considerable reduction should be effected.

It is also proposed to spend £5,030 from the Fund on the Scottish Seed Testing Station compared with £3,850 on the Seed Testing Station in England. Unless fees can be charged to reduce the cost to the State, we think that a reduction of £2,000 under this heading should be enforced.

Having regard to these suggestions, we consider that the expenditure from the Fund for Agricultural purposes should be reduced from £111,914 to £80,000, out of which should be met the £16,934 under the heading of Education and Research in the Votes as suggested later (paragraph 7).

The remaining items paid for out of the Fund are for Rural Housing, Land Settlement (pre-war), which do not appear capable of reduction. The definite commitments for Public Works, however, amount to roughly £5,000, and while there is a contingent liability on the remaining £5,000, we consider that the provision of £8,000 in all should be sufficient.

*Land Settlement.*

4. The Grant-in-Aid of £35,000 to meet the deficit under the Land Settlement (Scotland) Act, 1919, represents the loss incurred during the current year, and therefore this amount cannot be reduced.

The total capital sum which was approved by Parliament for Land Settlement for Scotland was £3,500,000. The system of settlement is broadly analogous to that in England and Wales, except that the Board in Scotland itself performs the duties undertaken by the Local Authorities in England and Wales. Further, in certain cases, landholders may be required to permit smallholders to settle on their estates.

The present position of the Land Settlement Scheme in Scotland may be summarised as follows :—

| | £ | |
|---|---|---|
| Capital Commitments (including £57,615 compensation paid out of Agricultural Fund) ... ... ... ... ... | | £2,666,252 |
| Number of Small Holdings covered by Commitments ... ... ... ... | | 2,772 |
| Number of Small Holders already settled ... | | 974 |
| Number of Applicants waiting to be settled— | | |
| Ex-Service Men ... ... | 3,162 | |
| Civilians ... ... ... | 6,710 | |
| | —— | 9,872 |

The deficit for 1921/22, which amounted to £35,000, may therefore reach a maximum deficit of £200,000 per annum on present commitments. This sum will be increased to the extent to which loans for the provision of stock prove to be irrecoverable.

Under these circumstances further commitments should be restricted as far as possible to provide for pressing needs such as in the Highlands, and Capital Expenditure under the Act of 1919 should not exceed £3,000,000. The amount for which commitments have been entered into is £2,666,000 so that this limit would allow a margin of £334,000.

Apart from the Highlands, we think that Land Settlement in Scotland should now revert generally to the pre-war basis.

This proposal, if adopted, will relieve the Taxpayer of the liability to provide further capital amounting to £500,000, and will restrict the annual deficit. In addition considerable economies should be effected in the staff of the Board.

*Horse Breeding.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure... ... ... | 2,929 |
| 1921/22 Net Estimate ... ... ... ... | 2,260 |
| 1922/23 Net Estimate ... ... ... ... | 2,060 |

5. As in the case of England and Wales a considerable proportion of the cost of administering the Act of 1918 is recovered by fees for Veterinary Examinations, and we have already recommended for England and Wales that the Act should be amended so as to permit of fees being increased to cover the whole cost of the service.

*Land Improvement.*

6. The Provisional Estimate of £3,540 required under this heading is mainly due to remanet expenses arising from the exercise of powers under the Defence of the Realm Regulations and cannot be reduced.

*Agricultural Education and Research.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 26,183 |
| 1921/22 Net Estimates ... ... ... | 43,389 |
| 1922/23 Provisional Net Estimate ... ... | 46,345 |

7. We have already dealt with the expenditure on Education and Research from the Agriculture (Scotland) Fund. The above Estimate is for additional grants and is made up of three separate grants as follows :—

| | £ |
|---|---|
| (*a*) Grants to Agricultural Colleges towards Capital Expenditure ... ... ... | 16,065 |
| (*b*) Additional grants for Capital Expenditure and maintenance of Research Stations at Agricultural Colleges, &c., Research Scholarships and other expenditure under schemes to be approved over a period of five years ... ... ... | 13,346 |
| (*c*) Grants to Scottish Agricultural and Veterinary Colleges for maintenance... | 16,934 |

Expenditure under (*a*) and (*b*) is borne on the Development Fund, and we consider that (*a*), which is a revote, should be deleted except for £2,592 to which we understand the Board is definitely committed, and that (*b*) should also be reduced to unavoidable commitments.

With regard to (*c*), this item should be considered in conjunction with the expenditure of £53,000 for the maintenance of Agricultural Colleges included in the proposed allocation of expenditure from the Agriculture (Scotland) Fund. We consider the whole grant to Agricultural Colleges should be paid for out of the Agriculture (Scotland) Fund reduced as suggested. All these

items of duplicate grants specifically voted and made from the Agriculture Fund illustrate the difficulty of enforcement of strict Treasury and Parliamentary control.

*Training of ex-Officers and Men.*

8. The Provisional Estimate of £5,000 for assisting ex-officers and men is a rapidly diminishing charge, and we make no recommendation.

## CONCLUSIONS.

**As a result of our consideration, we are of opinion:—**

**(1.) That Administrative Expenditure should be reduced from £159,677 to £130,000.**

**(2.) That the whole cost of Education and Research should be reduced by £50,000 and borne on the Agriculture (Scotland) Fund and Development Fund.**

**(3.) That Land Settlement under the Act of 1919 should be kept within a limit of £3,000,000 instead of £3,500,000 at present authorised, and that expenditure within that figure should be limited to pressing needs.**

**(4.) That after the next financial year all expenses in connection with Agriculture should be charged to the Votes, and that the Agriculture (Scotland) Fund should be limited to Land Settlement and Crofter Housing.**

**(5.) That, in view of all the circumstances, the Estimates of the Board of Agriculture (Scotland) should be reduced from £355,971 to £275,000.**

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## APPENDIX (A).

AGRICULTURE (SCOTLAND) FUND.

STATEMENT of Estimated Receipts and Payments 1922/23.

RECEIPTS.

| | £ |
|---|---|
| Balance at beginning of year ... ... ... | 49,181 |
| Grants from Local Taxation Account ... | 15,000 |
| Ordinary grant-in-aid ... ... ... ... | 140,000 |
| Loss under 1919 Act ... ... ... ... | 35,000 |
| Interest on balances ... ... ... ... | 1,800 |
| Agriculture (sundry receipts) ... ... ... | 7,000 |
| Repayments of loans, rents, &c. ... ... | 12,250 |
| Issues of building materials from stock ... | 30,000 |
| | 290,231 |

## Agriculture (Scotland) Fund.

### Statement of Estimated Receipts and Payments 1922/23.

#### Payments.

| | £ |
|---|---|
| Agriculture ... ... ... ... ... | 111,914 |
| Land settlement ... ... ... ... ... | 44,940 |
| Rural housing ... ... ... ... ... | 30,000 |
| Public works ... ... ... ... ... | 10,096 |
| Building fund ... ... ... ... ... | 15,000 |
| Deficit under Land Settlement 1919 Act ... | 55,000 |
| Balance at end of year*... ... ... ... | 23,281 |
| | 290,231 |

* Balance at beginning of year 1913/14 was £262 240.

#### Details of Amount to be Spent on Agriculture. £111,914.

| | £ | £ |
|---|---|---|
| *Live Stock—* | | |
| Cattle Scheme, No. 1 ... ... ... | 7,000 | |
| Cattle Scheme, No. 2 ... ... ... | 5,000 | |
| Heavy Horse Breeding ... ... ... | 7,000 | |
| Highland Pony Scheme ... ... ... | 3,100 | |
| Shetland Pony Scheme ... ... ... | 200 | |
| Sheep Breeding Scheme ... ... ... | 7,000 | |
| Swine Breeding Scheme ... ... ... | 500 | |
| Beechwood Stud Farm, Maintenance, &c. | 4,000 | |
| Beechwood Stud Farm, Repairs ... ... | 50 | |
| Poultry Scheme ... ... ... ... | 3,600 | |
| Beaton Stud Farm, Wages ... ... | 300 | |
| Grant to Shetland Vet. Services ... ... | 337 | |
| Grant to Sutherland Vet. Services ... | 150 | |
| | | 38,237 |
| *Assistance to shows—* | | |
| Crofters' Shows ... ... ... ... | 1,000 | |
| Prizes, Highland and Ayrshire Shows ... | 97 | |
| Board's Pavilion, Highland Show ... | 275 | |
| | | 1,372 |
| *Education and Research—* | | |
| Maintenance of Agricultural Colleges ... | 53,000 | |
| Glasgow Veterinary College, Research ... | 2,000 | |
| Veterinary Colleges, Maintenance ... | 5,000 | |
| Terregles, Working Farm and Maintenance ... ... ... ... ... | 2,550 | |
| Research in Animal Breeding, Edinburgh | 1,000 | |
| East Craigs, Maintenance... ... ... | 2,000 | |
| Wart Disease Stations ... ... ... | 525 | |
| Experiments in Rat Destruction ... ... | 50 | |
| | | 66,125 |

*Education and Research*—contd.

| | £ | £ |
|---|---|---|
| Scottish Smallholders' Society ... ... | 600 | |
| General ... ... ... ... ... | 400 | |
| | | 1,000 |
| *Other Agricultural Charges*— | | |
| Seed Testing Station ... ... ... | 5,030 | |
| Locharmoss Reclamation ... ... ... | 150 | |
| | | 5,180 |
| | 111,914 | 111,914 |

## Chapter III.

### FISHERY BOARD, SCOTLAND.

The Provisional Estimate for 1922/23 compared with the actual expenditure in 1913/14, and the Estimate for the current year is set out below together with particulars of expenditure from the Development Fund.

| | *Expenditure from Vote.* | *Expenditure from Development Fund.* |
|---|---|---|
| | £ | £ |
| 1913/14 Audited Expenditure... | 23,511 | 1,259 |
| 1921/22 Estimate ... ... | 62,451 | 66,041 |
| 1922/23 Provisional Estimate... | 57,629 | 18,932 |

1. The total expenditure of the Fishery Board has increased from £24,770 in 1913/14 to £76,561 for 1922/23, an increase of £51,791 or 209 per cent.

Since the above Provisional Estimate for 1922/23 was submitted, reductions of £4,203 in the amount to be voted and of £7,647 in the amount to be expended from the Development Fund have been agreed.

The statutory functions of the Fishery Board have not increased since 1913/14 and the increased cost is attributable to the growth of the fishing industry in Scotland and the greater activities of the Board. The total staff employed excluding specialists whose salaries are paid out of Development Fund grants has increased from 74 in 1913 to 92 for 1922/23 made up as follows :—

| | 1913/14. | 1922/23. |
|---|---|---|
| *Administrative Staff*— | | |
| Headquarters ... ... ... ... | 21 | 31 |
| Outdoor Staff ... ... ... ... | 38 | 38 |
| Scientific Investigations ... ... ... | 13 | 20 |
| Marine Superintendence... ... ... | 1 | 1 |
| Salmon Fisheries ... ... ... ... | 1 | 2 |
| Total ... ... | 74 | 92 |

2. The cost of administrative staff has increased from £14,180 in 1913/14 to £40,741 for 1922/23. An increase of 187 per cent.

The total headquarters' staff shown for 1922/23 is 31 compared with 21 in 1913/14, and a considerable portion of this staff is engaged on statistical work. We would like to draw attention to the elaborate nature of these statistics which is described in the Fishery Board's Annual Report as follows :—

> " In addition to the annual returns the officers throughout the year furnish weekly reports on the fisheries of their respective districts, while, during the summer fishery, *a daily telegram is forwarded to the head office indicating that at a certain hour in the afternoon so many vessels have arrived with an average catch of so many crans, the quality of the herrings landed, prices realised, the location of the fishery grounds and the weather conditions*, the information as to fishing grounds being in turn plotted each week on charts prepared for the purpose. A detailed weekly return (based on information supplied by correspondents) is also submitted of the number of boats fishing daily, *the daily catch, prices, fishing grounds*, and the *quality cured, branded and exported*, this information being also embodied (more concisely) in a telegram addressed to the head office every Monday for communication to the press. Officers are also authorised to exchange *wires daily* as to the *catch, fishing grounds and prices*, and these wires are posted up at the mart, for the information of fishermen, salesmen and curers."

*Note.*—The Italics are ours.

It appears to us that if this information is of importance to the fishermen, curers and the fishing industry generally it should be possible to institute a charge for supplying the information required, which would cover the cost involved, or preferably that the industry should organise the work itself. If the particulars obtained are not worth paying for we suggest the statistics should be drastically curtailed, and the staff at ports, which number 38, reduced. In addition the fishery correspondents should be abolished.

The scientific staff for 1922/23 numbers 20 compared with 13 before the war. The total amount spent under the various headings of scientific investigation and research amounts to £19,708. Apart, however, from the above remarks as to telegrams which are more of a commercial character, we make no recommendation, as we fully recognise the importance of the fishing industry in Scotland. Our research work is not more than that of other nations with whom we collaborate, having regard to the size of the industry.

3. The remaining items on the Vote and Development Fund appear to have been severely curtailed.

## CONCLUSION.

**After full consideration, we are of opinion that the Vote should be reduced from £57,629 to £50,000, and that the expenditure forecast from the Development Fund should be reduced from £18,932 to £11,285, making a total reduction in expenditure of £15,276.**

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## Chapter IV.

### ORDNANCE SURVEY.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 210,199 |
| 1921/22 Net Estimate ... ... ... | 335,346 |
| 1922/23 Provisional Net Estimate ... | 278,646 |

Since the above Estimate was submitted a revised Estimate of £268,276 has been put forward.

1. The staff now numbers 1,388, as compared with 2,077 in 1913/14. Of the present number 342 are established Civil Servants and 192 are serving soldiers.

2. The transfer of the responsibility for making the Ordnance Survey of Ireland to the Parliament of Northern Ireland and the Irish Free State will enable a saving to be made in staff amounting to 245 and a reduction in the Estimates of £58,000.

3. At the present time the large scale maps (6-inch and 25-inch) are revised as under :—

40 per cent. of the surface of the United Kingdom once in forty years.

60 per cent. of the surface of the United Kingdom once in twenty years.

The question of the necessity for the revision once in twenty years of such a large portion of the surface has been discussed with the Department, and they agree that the twenty-year revision should be confined to boroughs, urban districts and areas which have undergone considerable change since the last revision. A limitation of this character would result in a saving of 143 in staff and a reduction in the Estimates of £30,000, and we recommend that this change be introduced forthwith.

4. A gross income of £100,000 is realised from the sale of maps, and the Department have suggested that certain small increases in price of the 6-inch and 25-inch maps could probably be made, resulting in an increased revenue of £8,000 per annum, and we recommend that these increases be approved and introduced without delay.

5. We have made enquiries with regard to the position of Royalties payable by private firms of map-makers, and gather that the position is not entirely satisfactory. Having regard to the great benefits these firms enjoy by the use of the accurate information contained in the Government publications, we think

that substantial Royalties should be obtained in every case, and we recommend that steps be taken, legislative, if necessary, with a view to ensuring this revenue.

6. The Department is evidently fully alive to the situation, and is economising wherever possible.

## CONCLUSION.

**The transfer of the duties in regard to the Survey of Ireland, and the adoption of the above recommendations, will result in a reduction of the Estimates from £278,646 to £172,646, or a saving of £106,000.**

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## Chapter V.

### FORESTRY COMMISSION.

1. The Forestry Commission was set up under the Forestry Act, 1919, which provides for the payment of £3½ millions to the Forestry Fund, spread over a period of ten years in such annual amounts as Parliament may from time to time determine.

The amounts voted each year, as grants to the Forestry Fund, and the estimated amount required for 1922/23, are as follows :—

| | £ |
|---|---|
| 1919/20 ... ... ... ... ... | 99,000 |
| 1920/21 ... ... ... ... ... | 379,000 |
| 1921/22 ... ... ... ... ... | 200,000 |
| 1922/23 (Provisional Estimate) ... | 275,000 |

2. We are informed that the activities of the Forestry Commissioners are based upon the report of the Reconstruction Committee, dated May, 1917. This report proposed the afforestation with conifers of 1,180,000 acres in forty years, of which 200,000 acres were allotted to the first decade, 75 per cent. to be planted by the State. In addition, 20,000 acres of land suitable for hard woods were to be acquired; private owners were to be encouraged by means of grants to afforest and to re-plant felled areas, and education and research were to be subsidised.

3. The present position may be briefly summarised as follows :—

| | | |
|---|---|---|
| Amount expended, or to be expended, to March 31, 1922 ... ... ... ... | | £578,000 |
| Acres acquired— | | |
| England ... ... ... | 37,000 | |
| Wales ... ... ... | 10,000 | |
| Scotland ... ... ... | 81,000 | |
| Ireland ... ... ... | 6,000 | |
| | ——— | 134,000 acres. |
| Acres planted, or to be planted, before March 31, 1922 ... ... ... ... | | 20,000 acres. |

In addition to the above acreage, the Forestry Commission have taken over 14,000 acres acquired in Ireland prior to 1919.

Of the 134,000 acres acquired in the United Kingdom, we are informed that about 70 per cent. is suitable for Forestry work, the rest being hilly and stony land. The average cost per plantable acre is roughly 50*s*. for land purchased; but about 70 per cent. of the total acreage has been acquired on lease or feu at an average annual cost of 2*s*. 9*d*. per acre.

We would draw attention to the fact that of the 134,000 acres acquired, 81,000 acres, or 60 per cent., are situated in Scotland, whereas in time of war the most important demand is for pit props for South Wales, as practically all the Admiralty coal is drawn from this source.

We have enquired into the question of the accessibility of the acreage purchased, and understand that 90 per cent. is within 5 miles of a railway station or seaport, 5 per cent. is between 5 and 10 miles away, and the remaining 5 per cent. is over 10 miles away. These distances are measured as the crow flies and really give very little indication as to the accessibility of the timber.

4. The Forestry Commission does not surrender any sums unspent at the end of the financial year, and will carry over from the present financial year £100,000. They have indicated that they are prepared to spread this amount over the next three years and to reduce the grant-in-aid required for 1922/23 from £275,000 to £200,000. They suggest that if this is done the grants-in-aid for future years should be fixed as follows :—

| | £ |
|---|---|
| 1923/24 ... ... ... ... ... | 260,000 |
| 1924/25 ... ... ... ... ... | 280,000 |
| 1925/26 ... ... ... ... ... | 330,000 |
| 1926/27 ... ... ... ... ... | 330,000 |

To complete the payments into the Fund under the Forestry Act, 1919, the following payments would be required :—

| | £ |
|---|---|
| 1927/28 ... ... ... ... ... | 711,000 |
| 1928/29 ... ... ... ... ... | 711,000 |

5. We are impressed with the fact that of the proposed grant of £200,000 for 1922/23 only £92,000 would be available for cultural purposes, the remaining £108,000 being required for overhead and ancillary charges as follows :—

| | £ |
|---|---|
| Rents and Feu Duties ... ... | 20,000 |
| Payments for standing timber, &c., on acquisition by lease or feu ... | 10,000 to 20,000 |
| Advances for afforestation ... | 10,000 |
| Education and research ... ... | 16,000 |
| Advisory Services, Consultative Committees, Publications, &c. ... | 2,000 |
| Salaries and allowances of Headquarters Staff, Assistant Commissioners' Offices Divisional Offices | 40,000 to 50,000 |

6. It appears to us that the whole question of Government afforestation needs further consideration in existing financial circumstances.

If the Commission spend £193,000, as they anticipate, during the six months ending the 31st March next they will still have an unspent balance of £100,000.

If the amount of £200,000 asked for next year is provided the funds available for period the 1st October, 1921, to the 31st March, 1923 (two planting seasons), would be as under :—

| | £ |
|---|---|
| Estimated Expenditure October 1, 1921-March 31, 1922 ... ... ... | 193,000 |
| Balance at March 31, 1922 ... ... | 100,000 |
| Unemployment Grant ... ... ... | 250,000 |
| Vote for 1922/23 ... ... ... | 200,000 |
| | 743,000 |

7. The Commissioners justify the expenditure of £3½ millions on Forestry in ten years on the following grounds :—

(i) That the drain on the coniferous forests of the world is increasing yearly, and any country which has no indigenous supplies is to a certain extent placing her industrial future in the hands of others.

(ii) That practically every civilised country in the world has recognised the need for securing future timber supplies, and considerable developments are taking place, not only in Europe, but in America and the Dominions.

(iii) That timber production is a matter for the State rather than the private individual.

(iv) That a home supply of timber is a general insurance in peace against profiteering and also provides a form of rural employment.

(v) That Home Forests are a necessary asset in War.

8. It is obvious to us that the expenditure at present being incurred and forecast is merely the prelude to a gradually extending policy, and an organisation—including provision for Education and Research—is being built up to cope with it on the largely extended scale.

As regards the first justification which the Commissioners give, that the drain on the coniferous forests of the world is increasing and that without an indigenous supply a country may find itself as regards its industrial future in the hands of others. We cannot learn that the Home-grown timber ever seriously competed with timber from other countries. At a time of abnormally high prices, our experience of extensive State trading in Home-grown timber has resulted in a very substantial loss. This experience affords little encouragement to further ventures in Home-grown timber of a far reaching character, involving not only the felling and conversion of the forests, but the planting and cultivation also.

We have been supplied with a great deal of information on the subject, but are quite unconvinced that there is any prospect of State afforestation in this country being an economically sound proposition.

The second justification is that practically every civilised country in the world is going in for afforestation, and that therefore we should do so. Circumstances differ in various countries, and we do not think that this reason by itself is sufficient justification for vast expenditure of the kind contemplated at the present time.

The third justification given by the Commissioners is that timber production is a matter for the State rather than for the private individual. With the present high rates of interest and wages, afforestation is not, in our opinion, likely to be a sound commercial investment, and the State has not in present circumstances any surplus capital to invest in an undertaking, the returns of which are distant and doubtful.

The fourth reason given is that a Home supply of timber is an insurance against profiteering in peace, and provides a form of rural employment. We have already dealt with the first point above. To create employment on an uneconomic basis cannot be justified.

The fifth, and perhaps the most important, reason is that Home forests are a necessary asset in war. This may be so, but the same might be said of Home-grown wheat, and the whole gamut of articles of food, clothing and armament which we do not produce in this country.

In any event, the Forestry Commission appear to us to own land not in immediate proximity to the rail and too far from the industrial areas where the timber will be used or shipped in time of war. The preponderance of land in Scotland is certainly in the wrong place from this point of view, and in that country, although the all-over price of land may be low, something like 50 per cent. of the land acquired is unfit for afforestation, and with land at 50*s.* an acre, costing £8 to plant, the planting and carriage and not the cost of the land are the predominant factors.

We do not wish to say that no money should be spent upon encouraging the growth of indigenous timber in this country, but we suggest that a review should be taken of the situation, and that before further money is spent on the organisation of a Forestry Service and Education and Research, the Government should decide how far it can afford to go in the next twenty years. In our judgment, a decision should now be taken that no further land should be acquired for forestry purposes, and that no land which has already been acquired in districts not readily accessible by rail or from the seaport or too far from the industrial areas where consumption will take place should be planted.

9. We think that the Forestry Commission should, in the intrests of economy, be merged in the Ministry of Agriculture. Any small sum which is necessary for Education and Research, or to fulfil a commitment which we are informed has been entered

into with the Dominions as to a survey of timber resources, should be borne on the Ministry of Agriculture Vote in subsequent years.

We recognise the enthusiasm and public spirit of the Commissioners, but in the present condition of the country's finances, we cannot recommend that this expenditure—which will always show a heavy loss and which cannot reach full fruition for something like eighty years—should be continued.

## CONCLUSIONS.

**After full consideration of the circumstances, we are of opinion:—**

**(1.) That the scheme of afforestation by the State should be discontinued.**

**(2.) That the Vote of £275,000 for 1922/23 should not be allowed and that steps should be taken to cancel the power to spend the remaining £2,822,000 of the total of £3,500,000 authorised under the Forestry Act, 1919.**

**(3.) That any unspent balance in the Fund should be surrendered to the Exchequer after meeting any liabilities accruing in 1922/23 in respect of timber survey.**

## PART VI.

## REPORT ON GOVERNMENT EXPENDITURE ON POLICE, PRISONS, REFORMATORIES AND BOARDS OF CONTROL.

### Introductory Remarks.

In order to show the growth of expenditure on these Votes we append the following table, comparing the Audited Expenditure of 1913/14 with the Net Estimates of 1921/22 and the Provisional Net Estimates for 1922/23, with which we deal in our report :—

| | 1913–14. Audited Expenditure. | 1921-22. Net Estimates. | 1922–23. Provisional Net Estimates. |
|---|---|---|---|
| | £ | £ | £ |
| 1. Police (England and Wales)* ... | 109,241 | 6,741,474 | 7,044,600 |
| 2. Police (Scotland)* ... ... | Nil. | 855,200 | 840,200 |
| 3. Prisons (England and Wales) ... | 767,903 | 1,577,254 | 1,367,254 |
| 4. Prisons (Scotland) ... ... | 123,437 | 238,957 | 208,600 |
| 5. Reformatory and Industrial Schools (England, Wales and Scotland) | 277,886 | 738,501 | 590,911 |
| 6. Board of Control (England and Wales) | 21,464 | 511,364 | 535,968 |
| 7. General Board of Control (Scotland) | 6,139 | 71,733 | 76,333 |
| | 1,306,070 | 10,734,483 | 10,663,866 |

* In the case of Police (England and Wales) and Police (Scotland), in addition to the Voted Money, there are payments from the Consolidated Fund as follows :—

| | 1913–14. | 1921–22. | 1922–23. |
|---|---|---|---|
| | £ | £ | £ |
| Police (England and Wales) ... | 2,863,000 | 2,917,000 | 2,917,000 |
| Police (Scotland) ... ... ... | 220,000 | 220,000 | 220,000 |

We deal with the Votes in detail in the following chapters.

## Chapter I.

### POLICE (ENGLAND AND WALES).

| | Voted Money. | Payments from Consolidated Fund. | Total Exchequer Contribution. |
|---|---|---|---|
| | £ | £ | £ |
| Audited expenditure 1913–14 ... | 109,241 | 2,863,000 | 2,972,000 |
| Estimated net expenditure 1921–22... | 6,741,474 | 2,917,000 | 9,658,000 |
| „ „ 1922–23... | 7,044,600 | 2,917,000 | 9,961,000 |

1. It will be observed from the above figures that the total Exchequer contribution towards the cost of the Police in England and Wales, *i.e.* (i) Metropolitan Police, and (ii) County and Borough Police Forces, comprises two grants, viz. (1) Voted Money, and (2) Payments from the Consolidated Fund.

Both the Metropolitan Police and the County and Borough Police Forces (of which there are 180 separate Forces in England and Wales) are paid for jointly by the Taxpayer, in the form of contributions from the Exchequer, and by the Ratepayer. The Metropolitan Police are administered by the Commissioner of Metropolitan Police under the Secretary of State for Home Affairs, whereas the County and Borough Police are under the primary responsibility of the Local Authority, though the Home Secretary has some supervisory powers.

*Grant System.*

2. Prior to the war, two Exchequer grants were paid towards the cost of the Police under the "Assigned Revenues" system, viz. (1) £300,000 was paid to the several pensions funds under "The Local Taxation (Customs and Excise) Act, 1890," and (2) a grant was made by the Exchequer under "The Local Government Act, 1888." In County and County Boroughs, this latter grant amounted to one-half the cost of the pay and clothing of the Force, but in the Metropolitan Police District the grant was the equivalent of a 4*d.* rate over the area.

For some time before the war, there had been a proposal to revise the system and to charge one-half of the net cost of the Police to the Exchequer (the Police being regarded as a semi-national service), and this proposal was embodied in the Finance Bill of 1914, which was dropped on the outbreak of war. In 1918, however, the Government decided to raise the pay of the Metropolitan Police, and they also decided that it was necessary for the State to bear one-half of the net cost of the whole Police of the country, with a proviso that the State should have a stricter control of the rates of pay and should have power to withhold the grant if the Police service was not properly performed. The result of this change of system as applied to an enormously increased net expenditure (owing to increased pay of Police)

has been that, whereas in 1913/14 the total Exchequer contribution to the Police was £2,972,000 (composed of £109,241 Voted Money and £2,863,000 grant from the Consolidated Fund), in the current year 1921/22, the Exchequer contribution has risen to £9,658,000, made up of £6,741,474 Voted Money and £2,917,000 grant from the Consolidated Fund.

*Total Cost of the Police.*

3. We have seen above that the change of the grant system coincided with the very greatly increased cost of the Police as the result of advanced pay. Owing to the change in the grant system, it is not possible to set the Estimates of 1914/15 alongside those of the current or the next financial years for purposes of comparison, but the following table gives a true comparison of the expenditure on Police :—

| | 1913/14. £ | 1922/23. £ |
|---|---|---|
| Total expenditure on Police (England and Wales) ... | 7,676,000 | 20,500,000 |
| Towards which Exchequer contributed ... ... | 2,972,000 | 9,961,000 |
| Percentage of Exchequer contribution ... ... | 38·7 per cent. | 48·6 per cent. |

From these figures it will be seen that the total cost has increased by 167 per cent., and that, under the present grant system, the Exchequer contributes 48·6 per cent. of £20½ millions, whereas previously it only contributed 38·7 per cent. of £7½ millions.

The greater cost of the Police is almost entirely due to higher pay, allowances and pensions, and increased cost of clothing. The actual increase in the numbers of Police in the period between 1913/14 and the current year is comparatively small. The figures are :—

| | |
|---|---|
| 1913/14 ... ... ... ... ... | 55,000 |
| 1921/22 ... ... ... ... ... | 55,723 |

*Suggested Economies.*

4. There are only two means of effecting economies :—

1. By reducing the numbers of Police, and/or
2. By reducing the cost per head of Police.

So long as the present grant system continues, under which one-half of the net expenditure of the Local Authorities on Police is made up by grants from the Exchequer, the full incentive to economise is not given to the Local Authorities who spend the money, and the Home Office is in a position of comparative impotence to enforce economies.

In the course of this Report, we point out various minor directions in which we think that economies can be effected, even under the present grant system, but we have no doubt whatsoever that, as in the case of other Social Services which are paid for

jointly by the Ratepayer and the Taxpayer, economy can only be obtained in the present circumstances if the Local Authorities are limited to a fixed grant for Police.

We fully recognise that a fixed grant *per capita* of the Police in their present numbers would work out unfairly, since we understand that some Local Authorities have been stricter than others in fixing their numbers, and a *per capita* grant on present numbers would be unfavourable to those who have already been the more economical. We understand that the Home Office have not yet themselves considered an alternative to the present system of grants, but that they are satisfied that a formal investigation of the strength of the Police Forces as a whole would lead to considerable reductions. As we shall show later on, the Commissioner of Metropolitan Police is so reviewing the requirements of the Metropolis.

In the other Forces, Home Office supervision is exercised through His Majesty's Inspectors of Constabulary, who are in touch with the Local Police Authorities. These Inspectors, however, are only two in number, and their principal function hitherto has been to ensure that the strength and efficiency of the Forces have been properly maintained.

We therefore suggest that a full investigation should now be made as to the strength of all the Police Forces, beginning with those whose present establishment appears to be on a more generous scale than the average, and that the Home Office should at once endeavour to arrive at a basis of the numbers required for the adequate policing of each area. We think that such a basis, calculated upon acreage, population and rateable value, should be introduced with the least possible delay, and that the Exchequer contribution should be limited to a fixed annual grant, calculated on the number of Police justified for each district on the new basis. Only in this way, by a strict rationing of the grant, do we think it possible to ensure that the numbers of Police will be adequately reduced. In spite of the fact that the total numbers of Police have only increased by 723 since 1914, we do not feel justified in accepting even the 1914 numbers as necessary, and, in view of the fact that the average total cost per head of Police in 1913/14 was £139·6 and is now £367·7, it is not necessary to emphasise how essential is the need for economy in numbers. A saving of 5 per cent. on the present numbers (55,723) would mean a saving of more than £1,000,000, of which one-half would accrue to the Exchequer.

But, apart from numbers, there is the question of pay, pensions and allowances, which, as we have shown above, has resulted in a total cost per head of Police rising from £139·6 in 1913/14 to £367·7 in 1921/22, an increase of £228 or 163·5 per cent.

The present pay of the Police Forces is fixed in accordance with the First Report of the Desborough Committee of July, 1919. At that date the cost of living figure had been steadily declining from 120 in January, 1919, to 105 in June, 1919, and the Committee came to the conclusion that it would be fair to assume

that "policemen's receipts would have to be about double what they were in 1914 to compensate for the increase in prices." We understand, however, that the scale laid down by the Desborough Committee was fixed, not merely on the pre-war scales of Police pay, and the increase in the cost of living, but also largely on general considerations of the work and responsibilities of the Police as compared with other employments. A table is attached (Appendix (A)) showing the pre-war and post-war rates of pay of Metropolitan and Provincial Police. From this it will be seen that the standard basic scales for Constables were fixed at 70*s.* to 95*s.* a week, and of Sergeants at 100*s.* to 112*s.* 6*d.* a week, *with free housing and uniform in both cases.* Further, the pay and pensions recommended by the Desborough Committee were standardised throughout the country. Shortly after this scale was fixed in 1919, the cost of living began to rise very rapidly and a special scale of bonus was added as a temporary measure, but this has now ceased as the cost of living has fallen below the point which was taken as the standard above which bonus became payable. The question which we therefore have to consider is whether all the considerations which weighed with the Desborough Committee now hold good.

The cost of living figure has already dropped some way below the 105 which obtained when the Committee reported, and if the cost of living were the only consideration, we should feel justified in suggesting that the Government should review the whole of the Desborough scales, but in our opinion the most important consideration is that the work and responsibilities of the Police should be appropriately remunerated. In present circumstances we do not suggest a reduction at the present time of the pay of the Metropolitan Police, though we refer later on to certain possible reductions in allowances. We do, however, think that there is good ground for differentiating between the Metropolitan and the Provincial Police in this matter seeing that it is generally accepted in trades and occupations that work in the Metropolis justifies a special rate of remuneration.

*Detailed Review of Estimates for* 1922/23.

5. So far we have only stated our opinion that both the numbers and cost of the Police might be substantially reduced as the result of a detailed investigation for the purpose of arriving at the minimum strength required for each Force and at a basis upon which a fixed grant might be paid for the future in lieu of the present percentage grant.

As regards the immediate future, however, we have studied the detailed Estimates for the year 1922/23 and we make the following suggestions :—

METROPOLITAN POLICE.

The following figures have been supplied to us showing (*a*) the authorised numbers, and (*b*) the actual numbers of the Metro-

politan Police Force on the 31st December, 1913, and the 25th December, 1921, respectively :—

NUMBERS at December 31, 1913.

| — | Chargeable to Metropolitan Police Fund. | Chargeable to Dockyards and Naval and Military Stations. | Chargeable to other Government Departments, Public Companies, &c. | Total. |
|---|---|---|---|---|
| Authorised ... | 19,092 | 1,932 | | 21,024 |
| Actual ... | 18,916 | 1,410 | 522 | 20,848 |
| | | 1,932 | | |

NUMBERS at December 25, 1921.

| | | | | |
|---|---|---|---|---|
| Authorised ... | 19,298 | 1,933 | | 21,231 |
| Actual ... | 19,045 | 1,573 | 333 | 20,951 |
| | | 1,906 | | |

From the above figures, it will be seen that the present actual numbers are 280 below the authorised strength, and that in the case of the Police chargeable to the Metropolitan Police Fund, the numbers are 253 short of the authorised establishment. In this connection, the Commissioner of Metropolitan Police has explained to us that since 1914 the annual increase in the strength of the Force which used to be made practically automatically to meet the increase in population and the additional increase since 1910 to meet the requirements of the Police (Weekly Rest Day) Act has been discontinued, but apart from foregoing this automatic increase, the Commissioner has given directions that the actual number of Metropolitan Police is to be kept at a figure at least 531, or $2\frac{1}{2}$ per cent., within the authorised establishment.

The Commissioner is conducting a minute review of the present number of "beats" and "points," whereby he hopes to effect a saving of a further 280 men, or a cost of £100,000 to the Metropolitan Police Fund. At the same time he is reviewing the "Special Branch" and contemplates substantial economies.

It is the number of "beats" and "points" which determines the number of Police required for ordinary duties. A statistical table is attached (Appendix (B)) showing how the Metropolitan Police have been employed during the last twelve years in relation to the number of inhabited houses and the length of Constables' beats (in miles). From this table, it will be observed that the total length of Constables' beats in the Metropolitan Police District has been reduced from 11,714 miles in 1914/15 to 11,665 miles in 1920/21, but the number of Constables employed on ordinary Police duty to each mile of their beats has increased from 1·63 to 1·66.

Indeed, there has been a gradual tendency to increase the number of Constables on beats during the last ten years, and this tendency is seen throughout the table in Appendix "B." For example, whereas in 1909, one Constable was employed on ordinary duty to 450 of the population, in 1920/21 there is one Constable to every 386 of the population. Whereas, in 1909, there was one Constable to 71 inhabited houses, in 1920/21 there was one Constable to 66 inhabited houses.

This increase in numbers of Constables has, during the same period, been accompanied by a great increase in cost: whereas, in 1909, the cost of the Police was £153 for each 1,000 inhabitants, it had risen in 1920/21 to £485.

The Commissioner has furnished us with a detailed analysis of the duties on which "uniformed" Police, authorised to be employed at the cost of the Metropolitan Police Fund, are engaged at present. The following points appear to us to be worthy of attention:—

(1.) Out of a total "uniformed" strength of 18,282—3,426 Police of various ranks are shown as being required as reliefs for weekly and annual leave and sickness, *i.e.*, 3,426 are required to relieve 14,856, or a margin of 23 per cent. for reliefs, a figure which we think should be considerably reduced, certainly to 20 per cent. margin, seeing that the normal absence from duty is:

52 weekly rest days,
12 days annual leave, and
8 days sickness,

or a total of 72 days' absence per Constable. As this period of absence is approximately 20 per cent. of the year, a similar margin of 20 per cent. in numbers ought to suffice for reliefs. Consequently, a margin of 2,971 should suffice, giving a saving of 455 Police.

(2.) In this same analysis of the "uniformed" Police, we find that 260 are employed on clerical duty. We understand that the Commissioner's policy is to reduce the number of Police so employed and to substitute civilians, and we think that this substitution should be completely effected with the least possible delay. For each Policeman so substituted by a civilian there would be a substantial saving.

(3.) We similarly suggest that the 51 Police used as motor car and despatch car drivers, and the 12 Police used as messengers, the 19 used as grooms and the 22 used as Divisional storekeepers should be substituted by civilians, with a consequent substantial saving.

(4.) We notice that since 1914 the authorised establishment has been increased by 6 Superintendents, 41 Inspectors, and 88 Police Sergeants, whereas the Police Constables in the same period show a decrease of 1,496. The Commissioner has explained to us the duties for which these additional officers are required, but we

should have expected that there would have been some reduction of the higher ranks proportionate to the decrease in the number of Constables, and we recommend that, in reviewing the strength of the Metropolitan Police Force, the Commissioner should endeavour to revert to the pre-war ratio of higher ranks to Police Constables, thus effecting a considerable saving.

(5.) Apart from the numbers actually charged to the Metropolitan Police Fund, it will be observed from the above table that 1,573 Metropolitan Police are employed at Dockyards and Naval and Military Stations. They are paid for by the Admiralty and the War Office respectively, and we have already drawn attention, in our First Interim Report, to what we consider to be an excessive use of Metropolitan Police for this purpose. The reductions which we hope will be effected in this direction will be in relief of Army and Navy Estimates, and not of the Metropolitan Police Fund.

Apart from a decrease in numbers, there are various items of expenditure which we think might be curtailed and reduced below the figure included in the Provisional Estimate for 1922/23.

(i.) We recommend that the proposals which are now under consideration by the Commissioner for prolonging the wear of the different articles of *Clothing* and for the standardisation of cloth should be effected.

(ii.) We have considered the question of the employment of the *Women Patrols*. These Women Patrols, 110 in number, are in addition to the numbers of Police. Their pay is only 10*s*. a week less than that of the "uniformed" Constable. Their powers are very limited, and their utility from a Police point of view is, on the evidence submitted to us, negligible. We do not think that in present circumstances this expenditure can be justified.

(iii.) The expenditure on the *Public Carriage Licensing Department* is estimated in the current year to amount to £100,700, whereas the receipts are only estimated at £32,000.

We have ascertained, however, that this Department comprises much more than its name implies. It includes the Lost Property Office Staff (£6,466); Police employed on issuing processes for traffic offences (£741); and Police employed in the streets on point duty at Public Carriage Standings, *i.e.*, one-third of the cost of 278 Constables (£38,305). The above items account for £45,512 of the expenditure. The actual expenditure on the work of licensing Public Carriages is therefore £55,188 in the current year. This will be reduced in 1922/23, owing to the withdrawal of the Police bonus, to £50,000.

As stated above, the estimated receipts from licences are only £32,000, derived from 13,625 vehicles and 33,970 drivers and conductors. We do not consider that the business of licensing such public carriages, drivers and conductors should show a deficit

of £18,000, and we think that the cost should be reduced to the level of the receipts. At the present moment the Police employed on licensing duties at New Scotland Yard number forty-one and cost £14,391. The Police employed on inspecting public carriages after they have been licensed in order to see that they are kept up to a reasonable standard of repair and sanitation, number seventy-two and cost £30,982. We recommend that the Commissioner should reduce these staffs to the minimum compatible with securing that vehicles are properly licensed and maintained, and that if he is unable to reduce their cost to the level of the estimated receipts, steps should be taken to increase the charges for licences by a small amount to a point where the system will be self-supporting. The charges are at present £2 for proprietors and 5*s*. for drivers and conductors, and these amounts were fixed by the Metropolitan Public Carriage Act, 1869, and have never since been reviewed.

(iv.) We have considered a statement showing the proposed expenditure on *Building Works and Maintenance of Buildings* during the next six years.

As regards building works, an expenditure of approximately £150,000 per annum over the next six years is proposed. In the year 1921/22 the estimated figure is £115,000, and for 1922/23 the Estimate is £140,400. The chief items in the programme for 1922/23 are £50,000 for married quarters; £33,000 for new stations; £20,000 for a garage at Lambeth for Police vehicles. There is also an item of £8,000 for continuing the building of new stables and a riding school. We suggest that this programme should be limited to £50,000.

As regards maintenance work of building, there is a provision of £25,000, and as this work has already been narrowly restricted and as there are heavy arrears, we do not suggest any further reduction.

This item also contains a provision of £25,000 for the *Purchase and Maintenance of Motor Vehicles*. This represents less than half the amount estimated to be spent in 1921/22, but we think that it could still be reduced by 50 per cent. if, instead of purchasing new vehicles, the Commissioner negotiates for some of the numerous motor vehicles of the Fighting Services, which will be redundant if the recommendations in our Interim Report are carried out.

There is a further item of £10,000 for the *Purchase and Maintenance of Motor Boats*. We understand that the motor-boat fleet of the River Police consists of three launches and twenty-seven motor boats. One new launch and sixteen boats have been purchased since the war, and the proposal is to purchase three more boats this year at an estimated cost of £1,200. We suggest that, in view of the high proportion of new craft which have been acquired since the war, the purchase of any new boats this year should be postponed.

(v.) We are of opinion that certain of the *Allowances* should be reviewed.

(a.) *Boot Allowance.*

(b.) *Bicycle Allowance.*

(c.) *Plain Clothes Allowance.*

(d.) *Subsistence and Refreshment Allowance.*

These Allowances have been increased from time to time in recent years to meet higher costs, and we suggest that they should be reviewed in the light of current prices from time to time.

(e.) *Special Duty Pay.*—We understand that Police employed in Public Departments receive a "Special Duty" allowance of 1*s.* a day, although such employment is not specially arduous, and is, indeed, sought after. At the present time we are informed that a charge of £500 in respect of such allowances falls annually on the Metropolitan Police Fund, whereas the Public Departments who employ Metropolitan Police incur a cost of £16,000 per annum in respect of these allowances. We think that it should be abolished.

(vi.) *Administrative Expenses.*—We find that the cost of Headquarters Administration, which in 1913/14 represented 2·58 per cent of a total expenditure of nearly £3 millions, is now 2·87 per cent. of a total expenditure of more than £7 millions. These expenses, however, comprise many items, such as books, printing, postage, travelling, advertising and legal and audit expenses, all of which have shown a necessary increase in volume, together with an enhanced cost.

So far as salaries and numbers are concerned, we find that the civil staff of the Commissioner has increased from 73 to 244, *i.e.*, an increase of 171. Out of this number 69 are engaged on entirely new work and 82 represent civilians substituted for Police (which is, in itself, an economy), and we make no recommendation.

(vii.) We have examined the figures of the cost of horses and forage for the mounted Metropolitan Police, and we find that, for the last eight years, the average price per horse has been £60, which after taking into account the amount realised by the sale of cast horses, works out at a net cost of £32 per horse. We further find that the cost of forage per horse, which reached the high figure of £75·9 per annum in 1920/21, shows a reduction to £49·8 in the current year. We think it desirable that all possible reductions should be made in the number of mounted men, and we understand that the Commissioner is considering proposals to this effect.

6. The economies which we have suggested above, which are only instances and not in any way exhaustive, should result in a considerable saving. We are of opinion that a review on the

lines which we have suggested would produce a reduction of 10 per cent., *i.e.*, £700,000, on the approximate £7 millions estimated to be the cost of the Metropolitan Police for 1922/23. It must be borne in mind that only one-half of this saving, *i.e.*, £350,000, would accrue to the Exchequer, the other half accruing to the Ratepayer

## County and Borough Police Forces.

7. We have already shown that the total estimated expenditure on Police for 1922/23 is £20½ millions. Of this total the cost of the Metropolitan Police is £7 millions. The estimated cost of the other Police Forces in England and Wales is £13½ millions.

We are not in a position to criticise their Estimates in any detail. As we have already stated, the Home Office supervision over these 180 separate Police Forces is exercised through two His Majesty's Inspectors of Constabulary, and has hitherto taken the form of ensuring that the strength and efficiency of the Forces is properly maintained and not of seeing that it is reduced to the most economical proportions. The Home Office have informed us that the strength of these local Forces is not being increased to any considerable extent, though there is little that the Home Office can do to control items of local Police expenditure beyond an examination of the Estimates and claims. The Home Office did issue a circular in August last urging the Police Authorities not to recruit the full authorised strength, except where absolutely necessary; to consider whether any reduction in numbers is possible; to defer all capital expenditure not required for urgent purposes, and, generally, to effect any economies other than reductions in pay or allowances. We understand that few replies have been received or were expected by the Home Office, though the latter know that many Police Authorities are keeping vacancies open, suspending building operations and taking other measures, but most of these matters do not require any reference to the Home Office. There can be no doubt—indeed, it is admitted—that the check of the Home Office on Police Authorities has been rather for the maintenance of numbers and efficiency than for economy, and that it cannot in any way be considered a control of expenditure, amounting to £13½ millions of which the Taxpayer pays half. In these circumstances, we think it is urgently necessary that the whole strength of these local Police Forces should be investigated so that for the future a fixed grant *per capita* of the approved number of Police can be made from the Exchequer.

8. For the purpose of the forthcoming financial year, we recommend that in view of the fact that the Metropolitan Police has to be kept up at a strength capable of giving relief to other districts in case of emergency, and of affording assistance in

Criminal Investigations, the percentage reduction in the case of the County and Borough Police Forces should be rather larger than in the case of the Metropolitan Police Force, and we recommend that there should be a reduction of 12½ per cent. on the £13½ millions cost of the local Police Forces, with a consequent saving of £1,687,500. We recommend that, pending the determination of a fixed grant on a *per capita* basis, the local Police Authorities should be informed that the Exchequer contribution for 1922/23 will be based on the assumption that the percentage reduction which we have just suggested is effected, and that instead of contributing half of £13½ millions, *i.e.*, £6,750,000, the Exchequer contribution will not exceed £5,906,250, which is half of the revised total cost when the £13½ millions is reduced by 12½ per cent. to the total of £11,812,500. The saving to the Exchequer would thus be £843,750.

We recognise that it will probably be difficult to effect this economy in Provincial—and particularly in Rural—Police Forces, if the existing scale of pay for the Metropolitan Police continues to be applied throughout the country.

In view of what we have stated earlier in this report on the subject of the recognised differentiation between London and the Provinces in the fixing of rates of pay generally, we recommend that the obligation to pay the Metropolitan Police scale in Provincial Forces should be cancelled.

*Pensions.*

9. We cannot close our report on this subject without calling attention to the liability which is now being incurred by the Taxpayer in respect of the pensions of Police. The subject is fully dealt with in a memorandum by the Government Actuary, which is attached (Appendix C).

The salient points are that the new pension conditions contained in the Police Pensions Act, 1921, were not enforced upon men serving in the Police (England and Wales) when the Act was passed. Present members of the Forces thus get the great advantage of the Desborough scale in the calculation of their pensions, while they surrender nothing of the previous privileges under which the minimum pension was reached in most cases cases after the period of twenty-six years' service. In Scotland, on the other hand, the scale of the Police Pensions Act, 1921, applies to those members serving at the time in the Scottish Police Forces, in whose case it is more favourable than the scale previously in force.

It is anticipated that the effect of the provisions of the Act of 1921 regarding compulsory retirement, combined with the calculation of pensions on the Desborough scale, will be to produce a considerable increase in the number of pensioned men.

There is a further point that the scope and scale of the widows' pensions and children's allowances have been largely increased by the Acts of 1918 and 1921..

The Government Actuary's report shows that, assuming interest at 4 per cent. per annum, the value of all the pension benefits under the 1921 Act to men who entered the Police Forces immediately before the Act came into force is equivalent to about 22 per cent. of pay, or a flat rate of £50 a year throughout the whole period of service. Allowing for the authorised deductions from pay, *i.e.*, 2½ per cent., the pension rights are worth about 19½ per cent. of pay, or a flat rate of £44 a year throughout service. In the case of men appointed after the Act of 1921 came into force, each of these figures must be reduced by about one-seventh, *i.e.*, the rights are worth 19 per cent. of pay, or, after deducting the statutory contribution, 16½ per cent.

The total cost of Police pensions and allowances to widows and children in England and Wales shows the following comparison :—

| | £ |
|---|---|
| 1913/14 ... ... ... ... | 1,352,651 |
| 1918/19 ... ... ... ... | 1,410,925 |
| 1919/20 ... ... ... ... | 1,808,142 |
| 1920/21 (Estimated by Government Actuary) ... ... ... ... | 2,600,000 |

For Scotland, the figure for 1920 is £78,563.

As regards the future growth of pensions cost, assuming that the Police Forces of England, Wales and Scotland remain at their present strength, the Government Actuary estimates that the amount paid in pensions and allowances in 1925/26 will reach £4 millions and will continue to rise until an ultimate charge of £7,700,000 is reached in about 40 years. He calculates that the number of pensioned men will eventually reach 70 per cent. of the number actually serving.

In calling attention to this already large and constantly growing liability, we would only add that we are informed that actuarial Estimates were not made in connection with the Police Pensions Bill of 1921. We consider it would have been advantageous, in view of the great addition of pay made by the general adoption of the Desborough scale with its immediate effect upon the superannuation liability, if the scheme had been actuarially tested before the Police service was confirmed in its exceptional privileges by a new Act of Parliament. As in the case of Teachers' Superannuation we think the question should receive early investigation.

## CONCLUSIONS.

**10. As a result of our consideration, we are of opinion :—**

**(1.) That the present "percentage grant" system should be discontinued.**

**(2.) That a full investigation should at once be made of the strength of all Police Forces in England and Wales in order to enforce economies.**

(3.) That the detailed economies which we have suggested should be effected forthwith in the Estimates for 1922/23 for the Metropolitan Police, with a consequent reduction of those Estimates by £700,000.

(4.) That the obligation to pay the Metropolitan Police scale of remuneration in County and Borough Police Forces should be cancelled.

(5.) That economies should be effected forthwith in the Estimates for 1922/23 for the County and Borough Police Forces on the same lines, as in the case of the Metropolitan Police, with a consequent reduction of the Estimates for the County and Borough Police of £1,687,500.

If the recommendations in our Report are adopted, the total savings for 1922/23 would amount to £2,387,500, of which one-half, £1,193,750, would enure to the Exchequer.

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## APPENDIX (A).

COMPARATIVE Table of Pre-War and Post-War Rates of Pay of Metropolitan and Provincial Police.

| Grade. | Pre-War. | | | | Post-War. | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *s.* | *d.* | *s.* | *d.* | | | | | |
| Constable in typical rural county (Cambridge). | 22 | 9 | 30 | 4 | Cost of living *under* 130. | | | | |
| Sergeant in ditto ... ... | 30 | 6 | 35 | 0 | | *s.* | *d.* | *s.* | *d.* |
| Constable in typical industrial borough or city (Sheffield). | 28 | 0 | 39 | 0 | All constables | 70 | 0 | 95 | 0* |
| Sergeant in ditto ... ... | 41 | 6 | 46 | 6 | All sergeants | 100 | 0 | 112 | 6* |
| Constable in Metropolitan Force. | 30 | 0 | 40 | 0 | * Plus free house and uniform. (Pre-war, free uniform, but not free houses except in certain cases ) | | | | |
| Sergeant in ditto ... ... | 43 | 0 | 47 | 0 | | | | | |

## APPENDIX (B).

STATISTICAL Table of the Population of the Metropolitan Police District, the Number of Inhabited Houses, the Length of Streets, and the Strength of the Police Force, and the Proportion and Cost of the latter to the Number of Inhabitants, &c., for the Twelve Years ended March 31, 1921:—

| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | (9) | (10) | (11) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Year. | Population of Metropolitan Police District (*c* Indicates the Census Figures, the others are Estimates). | Number of Inhabited Houses. | Aggregate Length of Constables' Beats (in miles). | Authorised Strength of the Force as given in the Annual Reports of the Commissioner of Police. (*a.*) Numbers Employed on Special Duties and Paid for. | (*b.*) Numbers Employed on Ordinary Police Duties. | Numbers added to the Force in each Year for Ordinary Police Duty. | Number of Population to each Constable Employed on Ordinary Police Duty. | Number of Inhabited Houses to each Constable Employed on Ordinary Police Duty. | Number of Constables Employed on Ordinary Police Duty to each Mile of their Beats. | Cost of Police to each 1,000 Inhabitants. | Year. |
| | | | | | | | | | | £ | |
| 1909–10 | 7,510,273 | 1,185,405 | 11,381 | 1,985 | 16,672 | 423* | 450 | 71 | 1·46 | 153 | 1909–10 |
| 1910–11 | 7,250,277*c* | 1,201,923 | 11,608 | 1,792 | 17,626 | 954* | 411 | 68 | 1·52 | 219† | 1910–11 |
| 1911–12 | 7,321,424 | 1,212,329 | 11,616 | 1,783 | 18,195 | 569* | 402 | 66 | 1·57 | 201‡ | 1911–12 |
| 1912–13 | 7,393,969 | 1,229,581 | 11,629 | 1,831 | 18,698 | 503* | 395 | 65 | 1·60 | 206 | 1912–13 |
| 1913–14 | 7,467,307 | 1,244,944 | 11,695 | 1,932 | 19,088 | 390* | 391 | 65 | 1·63 | 209¶ | 1913–14 |
| 1914–15 | 7,467,307 | 1,259,521 | 11,714 | 2,919*f* | 19,129 | 41 | 390 | 66 | 1·63 | 235§ | 1914–15 |
| 1915–16 | 7,467,307 | 1,268,084 | 11,722 | 3,366 | 18,910§§ | *219d* | 395 | 67 | 1·61 | 243 | 1915–16 |
| 1916–17 | 7,128,405 | 1,268,564 | 11,748 | 3,204 | 19,151§§ | 241 | 372 | 66 | 1·63 | 239** | 1916–17 |
| 1917–18 | 7,011,141 | 1,271,935 | 11,748 | 3,104 | 19,173§§ | 22 | 366 | 66 | 1·63 | 275** | 1917–18 |
| 1918–19 | 6,710,615 | 1,279,017 | 11,767 | 3,024 | 19,152§§ | 21 | 350 | 66 | 1·63 | 311†† | 1918–19 |
| 1919–20 | 7,245,495 | 1,281,571 | 11,772 | 2,426 | 19,308 | 156*e* | 375 | 66 | 1·64 | 360‡‡ | 1919–20 |
| 1920–21 | 7,476,168*c* | 1,288,844 | 11,665 | 2,188 | 19,358 | 50 | 386 | 66 | 1·66 | 485‖‖ | 1920–21 |

* These numbers include augmentations to give a weekly rest day to the whole force.

† In this year the Pension Fund deficiency for two years was brought into charge.

‡ An increased scale of pay to the force was sanctioned in August, 1911, in addition to which special expenditure in connection with the Coronation, amounting to £43,513, was defrayed.

¶ An increased pay of 2*s.* 6*d.* per week to Constables who had completed 15 years' good service was sanctioned in December, 1913.

§ An increased scale of pay to the force was sanctioned in July, 1914, and a war allowance of 3*s.* per week in March, 1915.

** Further war allowances were granted in these years amounting in December, 1917, to 12*s.* per week plus allowances to children of men on service.

†† An increase in pay of 13*s.* per week was sanctioned in August, 1918, after the Police strike.

‡‡ The new Desborough scales of pay for all ranks came into force as from 31st March, 1919. The figures for this and the following years reflect the increased day, the gradual return to the force of demobilised men and special recruiting to to fill vacancies, of which there where 6,186 on the 1st January, 1919, 2,300 on the 1st January, 1920, and 538 on the 1st January, 1921.

‖‖ Increased rent aid, with arrears as from 29th September, 1919, was sanctioned in April, 1920, and there was a further increase as from 3rd January, 1921.

A non-pensionable bonus in consideration of the rise in cost of living was sanctioned as from 1st July, 1920, with a further increase as from 1st October, 1920. This bonus was withdrawn as from 1st October, 1921.

§§ These numbers are based on the authorised strength, as are those for the other years in the Table. They include men off pay serving with the colours (1,903 in 1915–16, 1,825 in 1916–17, 2,283 in 1917–18, and 3,347 in 1918–19) and vacancies (1,508 in 1915–16, 1,041 in 1916–17, 1,538 in 1917–18, and 2,426 in 1918–19) owing to suspension of recruiting during the war.

*d.* Decrease.

*e.* In 1919–20 100 men were augmented for ordinary requirements, the only augmentation for this purpose since 1913–14.

*f.* The increases in the numbers employed on special duties in 1914–15 and subsequent years were due to war augmentations in the police at dockyards and military stations.

## APPENDIX (C).

### Memorandum by the Government Actuary on the Cost of Pensions of the Police Force.

*The Pay System.*

1. As the pensions of the Police Force are based on pay it is necessary, in the first instance, to examine the conditions as to the latter. Until quite recently, the scales of pay varied considerably throughout the country. For example, in the Metropolitan Police and two or three Provincial Boroughs before 1914 the scale for Constables was 30*s.* rising to 42*s.*; in one or two County Forces, 28*s.* rising to 35*s.* or thereabouts, with quarters free; while in a county like Dorset the scale was 21*s.* rising to 26*s.* 10*d.* with an allowance for rent.

For the first three years following the outbreak of war, the policy of the Home Office was generally to refuse sanction to any increase of pensionable pay, but to allow County Police Authorities at their discretion to meet the increased cost of living by a terminable war bonus. The same policy was followed in the case of the Metropolitan Police and also by the Scottish Office; but while some Borough Police Authorities adopted a similar course, in other cases the pay was raised.

At the end of 1918, the Home Office took steps which secured a considerable measure of uniformity—the result of which was the adoption of two scales of pay for Constables and Sergeants :—

(*a.*) The Metropolitan scale, 43*s.* rising to 53*s.* for Constables and 56*s.* rising to 60*s.* for Sergeants; and

(*b.*) The "standard" scale, which is generally 3*s.* lower than the Metropolitan scale.

Generally speaking, the former scale applied in forces north of a line from the Wash to the Mersey, as well as in the Metropolitan Force and in a few Borough Forces.

The Desborough Committee recommended the adoption of a uniform scale of pay for all branches of the Force, that proposed for Constables being 70*s.* a week rising by ten annual increments of 2*s.* to 90*s.*, with further special long service additions of 2*s.* 6*d.* a week on completion of seven and twelve years' service after attaining the maximum of 90*s.*, and that for Sergeants 100*s.* rising by five annual increments of 2*s.* 6*d.* to 112*s.* 6*d.* It was further recommenled that a house or quarters be provided rent free, or a non-pensionable allowance for rent granted in addition.

...

*The Pension System.*

2. Prior to 1921 the scale of pensions for Officers of the Police Force in England and Wales was based on the provisions of "The Police Act, 1890," and in Scotland on "The

Police (Scotland) Act, 1890." While under both Acts a Constable could retire on pension without medical certificate after twenty-five years' service, the former Act gave a wide range of discretion to Police Authorities as regards the scale to be adopted with reference to years of service, and in England and Wales the great majorty of Officers were entitled to retire on the maximum pension of two-thirds of pay after twenty-six years' service.

"The Police Pensions Act, 1921," introduced important changes in the scale of pensions. The principal of these are as follows :—

(1.) While a pension of one-half of pay can be claimed without medical certificate after twenty-five years' service, as before, the maximum pension of two-thirds of pay cannot be claimed until after thirty years' service;

(2.) Retirement except in special cases is made compulsory at 55 for Constables and Sergeants, at 60 for Superintendents and Inspectors, and at 65 for Chief Constables; but this condition is not enforced in any cases of men serving at the commencement of the Act where longer service is required to secure maximum pension without medical certificate;

(3.) Except as regards Special Pensions granted in injury cases, the discretionary power allowed to Police Authorities under "The Police Act, 1890," as regards the amount of pension, is removed.

The reduction of pension rights provided in England and Wales by the 1921 Act was not enforced upon men serving when the Act was passed. Present members of the Force thus get the great advantage of the Desborough scale in the calculation of their pensions, while they surrender nothing of the previous privileges under which the maximum was reached in most cases after the short period of twenty-six years of service. In Scotland the scale of the Act applies to serving members, in whose cases it is more favourable than the scale previously in force.

3. Information furnished by the Home Office showed that retirements from the Metropolitan Police took place in large numbers as soon as, or soon after, a pension could be claimed without medical certificate, and, having regard to the small number who have adopted the 1921 scale, it seems probable that this high rate of early retirement will continue. From a "Return of Police Pensioners prior to the 4th August, 1914," published in December 1919, it appears that there has been a tendency to postpone retirements to a later age in the County and Borough Police of England and Wales and to a more marked extent in the Scottish Police. It must be presumed that the effect of the provisions of the 1921 Act regarding compulsory

retirement, combined with the calculation of pensions on the Desborough scale, will be to produce a considerable increase in the number of pensioned men.

*Widows' Pensions.*

4. Under "The Police Act, 1890," pensions were granted to widows, but these were allowed only to widows of men who died as the result of injury received while on duty; in such cases an allowance for each child was included. "The Police (Scotland) Act, 1890," contained similar provisions for Scotland. "The Police (Pensions) Act, 1918," authorised a general extension of widows' pensions whatever the cause of death and irrespective of whether the husband was serving or pensioned when he died. This, therefore, was a very substantial enlargement of the pension system;* further, this Act raised the scale of widows' pensions. "The Police Pensions Act, 1921," again raised the scale of pensions to widows, and extended the children's allowances to children generally in lieu of the previous restriction to children of men who died from the effects of injury received while on duty.

*The Value of Pension Rights.*

5. Assuming interest at 4 per cent. per annum the value of all the pension benefits under the 1921 Act to Officers appointed immediately before the Act came into force is equivalent to about 22 per cent. of pay, or to a flat rate of £50 a year throughout the whole period of service. Allowing for the authorised deductions from pay, the pension rights are worth about 19½ per cent. of pay, or a flat addition of £44 a year throughout service. In the case of Officers appointed after the Act of 1921 came into force, each of these figures must be reduced by about one-seventh, *i.e.*, the rights are worth 19 per cent. of pay, or, after deducting the statutory contribution, 16½ per cent.

*The Present Cost of Pensions.*

6. The following has been the total cost of pensions and allowances in England and Wales for the year ending the 31st March :—

| —— | 1914. | 1919. | 1920. |
|---|---|---|---|
| | £ | £ | £ |
| Metropolitan Police ... ... ... | 606,363 | 631,127 | 768,515 |
| City of London Police ... ... | 45,777 | 42,027 | 61,951 |
| County and Borough Police ... | 700,511 | 737,771 | 977,676 |
| Total ... ... ... | 1,352,651 | 1,410,925 | 1,808,142 |

* It did not apply to widows whose husbands had died before the Act came into force.

The figures for Scotland relate to slightly different periods, the latest available figures being for the year ending the 15th May, 1920 : £78,563.

7. The marked increase in the cost of pensions in 1920 as compared with 1919 appears to be due to retirements which had been held up during the war. This was certainly the case with the Metropolitan Police.

8. The accounts of the Metropolitan Police for the year ending the 31st March, 1921, show that the cost of pensions had still further increased to £1,006,602. This large increase is no doubt due in part to the application of the Desborough scale to new retirements, but is attributable mainly to additions to existing pensions authorised by " The Pensions (Increase) Act, 1920."

9. Equally full information is not available in the case of the Provincial and Scottish Forces, but the same conditions have prevailed, and the total cost of Police Pensions may be estimated at fully £2,600,000 for the year ending the 31st March, 1921.

*The Future Growth of Pension Cost.*

10. Allowing for the effect of the Desborough scale, including the probability that the increase of pensions to which it leads will stimulate earlier retirements in the Provincial and Scottish Forces, I come to the conclusion that the amount paid in pensions and allowances, in the financial year ending the 31st March, 1926, must reach and may exceed £4,000,000. On the assumption that the whole Force remains at its present strength of approximately 63,000, I estimate that the annual cost will increase until an ultimate charge of £7,700,000 is reached in about forty years. Of these amounts, pensions to widows and allowances to orphans account for £75,000 in the year ending the 31st March, 1926, and £720,000 in the year of ultimate charge.

11. The present pension charges, and still more the charges estimated to accrue in future, are obviously very heavy in relation to a force of about 63,000 men. The reason for this, however, is not difficult to find. Owing to the early age at which men are permitted to retire the number of pensioned men bears a remarkably heavy proportion to the number of serving men. This proportion is estimated eventually to reach 70 per cent., so that, for 63,000 men serving, 44,000 men will be on the pensioned roll. Any doubt which such a figure might engender will be dispelled by reference to the present facts in connection with the Metropolitan Police. In 1906 this Force consisted of about 15,500 men; in 1921 the strength was 21,000. The number of men on the List of Pensioners on the 31st March, 1921, was 10,800, being about 70 per cent. of the active Force as existing fifteen years previously and 50 per cent. of the current strength.

*The Cost to the Exchequer.*

12. The annual charges mentioned in preceding paragraphs represent the total cost of pensions. Under past arrangements the Exchequer paid annually the sum of £340,000 under " The

Local Taxation (Customs and Excise) Act, 1890," and, in addition, such sum as was necessary to make the total Exchequer grant up to one-half of the net cost of pensions after taking into account the contributions from members of the Force and various other receipts which were carried to the credit of the Pension Fund.

The Pension Funds have now been abolished, but I understand that, for the purpose of calculating the Exchequer charge, the items hitherto credited to these Funds will still be deemed to have been available for pensions, and, in case it should be thought that the real cost of pensions to the public is on these grounds substantially less than the sums named, I think it necessary to emphasise certain points.

(*a.*) From the figures given in paragraph 5 it will be seen that the contributions (deductions from pay) represent on average about one-eighth of the value of the pensions, and as these contributions are not accumulated to assist in providing the pensions of those who pay them, but are immediately absorbed as they are received in payments to existing pensioners, the proportion of contributions to pensions will speedily fall below 10 per cent., and eventually will be less than 5 per cent.

(*b.*) In the case of Scotland and many of the Provincial Forces, interest on investments is also available towards the cost of pensions. The old Pension Funds were not established, however, on an actuarial basis, and the assistance from this source was not very material. With pensions based hereafter on the Desborough scale, it will be relatively insignificant.

(*c.*) Contributions (made, I believe, on an actuarial basis) towards the cost of pensions of Police specially employed by Government Departments and Local Authorities reduce the Vote for the Police, but do not reduce the charge of pensions on the public. From the point of view of the Tax or Ratepayer it is a matter of indifference under which head of his burdens the charge is levied.

(*d.*) Fines, fees, &c., hitherto paid into the Pension Funds and still taken into account for the purpose of the Exchequer charge, are public receipts. They have no relation to Police Pensions, and their allocation to this purpose does not, in fact, reduce the cost of pensions to the public.

* * * * * *

(Signed) A. W. WATSON.

*Government Actuary's Department,*
*Wellington House, Buckingham Gate, S.W.*1,
*January* 6, 1922.

## Chapter II.

## POLICE (SCOTLAND).

| — | Voted Money. | Payments from Consolidated Fund. | Total Exchequer Contribution |
|---|---|---|---|
| | £ | £ | £ |
| Audited Expenditure 1913–14 ... | Nil. | 220,000 | 220,000 |
| Estimated net expenditure 1921–22 | 855,200 | 220,000 | 1,075,200 |
| " " 1922–23 | 840,200 | 220,000 | 1,060,200 |

1. It will be observed from the above figures that the total Exchequer contribution towards the cost of the Police in Scotland comprises two grants, as in the case of England and Wales, viz. : (i) Voted Money, and (ii) Payments from the Consolidated Fund. The Police in Scotland, as in England and Wales, are paid for jointly by the Ratepayer and by the Taxpayer in the form of contributions from the Exchequer.

The Police in Scotland are under the primary responsibility of the Counties and Burghs.

Thirty-one Counties and 28 Burghs maintain separate "recognised" Police Forces. Of these—

| | | |
|---|---|---|
| 3 Counties and 2 Burghs | have a population of less than 10,000. | |
| 3 Counties and 9 Burghs | " | " of between 10,000-20,000. |
| 9 Counties and 11 Burghs | " | " of between 20,000-50,000. |

These figures illustrate the large number of separate Police Forces for comparatively small areas, a point to which we refer later.

*Grant System.*

2. Prior to the year 1920, two Exchequer grants were paid annually towards the cost of the Scottish Police, and since 1899 these two grants had been stabilised at annual contributions of (1) £180,000 from the Local Taxation (Scotland) Account, as a contribution towards the cost of the pay and clothing of the Police; and (2) £40,000 towards pensions, *i.e.*, a total Exchequer contribution of £220,000.

It has been pointed out to us by the Scottish Office that when the grant was a fixed total sum of £180,000 per annum towards the cost of Police pay and clothing, the Scottish Office endeavoured, in the interest of the participating authorities, to exercise an effective check upon all proposals from particular districts involving increased expenditure, and consequently an increased claim upon the fixed grant, but this was a difficult

matter, as there is only one His Majesty's Inspector of Constabulary for Scotland. Indeed, in spite of the supervision of the Scottish Office, the total Police expenditure for Scotland rose steadily, with the result that, whereas in 1899 the annual grant of £180,000 represented 9*s*. 5*d*. per £ of the total expenditure, in 1915 it only represented 6*s*. 5*d*. per £ of the total expenditure. From this it will be seen that the total expenditure on Scottish Police was increasing steadily, even under the old grant system.

In 1918, as in the case of England and Wales, the grant system was changed on to a basis that the Government should pay to the local Police Authority a sum sufficient to make up the amounts received from the Local Taxation Account and the Exchequer Contribution Account to one-half the net total expenditure of the year. This change of system, coupled with the improved rates of pay and allowances of the Police, has resulted in a large increase of the Voted Money required, as will be seen from the following table :—

| | Payments from the Consolidated Fund. | Voted Money. | Total Exchequer Contribution. |
|---|---|---|---|
| | £ | £ | £ |
| 1913–14 ... ... ... | 220,000 | Nil | 220,000 |
| 1921–22 (estimated) ... | 220,000 | 855,200 | 1,075,200 |
| 1922–23 (estimated) ... | 220,000 | 840,200 | 1,060,200 |

*Total Cost of Police.*

3. Owing to the change in the grant system, it is not possible to set the Estimates of 1913/14 alongside those of the current or the next financial years for purposes of comparison, but the following table gives a true comparison of the expenditure on Scottish Police :—

| | £ | | £ |
|---|---|---|---|
| 1913/14. Total expenditure on Police (Scotland) ... | 701,000 | towards which Exchequer contribution... ... = | 220,000 |
| 1922/23. Estimated expenditure on Police (Scotland) ... ... ... | 2,120,000 | towards which Exchequer contribution... ... = | 1,060,000 |

From these figures it will be seen that the total cost has increased by 203 per cent. (whereas in England and Wales the total cost has increased by 167 per cent.). Further, whereas in 1913/14 the Exchequer contributed less than one-third of the total cost of £701,000, it is now asked to contribute one-half of £2,120,000.

The increased cost of the Police is mainly due to higher pay, allowances, pensions and increased cost of clothing. The actual increase in the numbers of the Scottish Police Forces is shown in the following comparison :—

| | |
|---|---|
| 1914 ... ... ... ... ... | 5,921 |
| 1921 ... ... ... ... ... | 6,563 |

an increase of 642. This is a very much greater proportionate increase of numbers than has taken place in England and Wales. The Scottish Office have explained to us that the increase is accounted for by the general putting into operation of the Police

(Weekly Rest Day) (Scotland) Act, 1914, the reduction of hours from twelve or ten to eight per day, and the increased annual leave given on the recommendation of the Desborough Committee. Some of these improved conditions were already in operation in England in 1914, but in Scotland they were only introduced subsequent to 1914, and would thus account for a larger increase in numbers.

*Suggested Economies.*

4. There are only two means of effecting economies :—

(*a*) By reducing the number of Police ; and/or
(*b*) By reducing the cost per head of Police.

Under the present grant system, we do not consider that the local authorities have the full incentive to economise on Police. We have dealt with this subject fully in our report on the Police (England and Wales), and our criticism applies equally in the case of Scotland. We are convinced that economy can only be obtained if the local authorities are limited to a fixed grant for Police, determined on some carefully calculated basis. We therefore suggest that a full investigation should now be made by the Scottish Office into the strength of all the Police Forces in Scotland in order to arrive at a basis calculated on acreage, population and rateable value for determining the minimum numbers required for the adequate policing of each area. As soon as this has been arrived at the Exchequer contribution should be limited to a fixed annual grant, calculated on the number of Police justified for each district on the new basis. We recognise that any rough-and-ready calculation covering England, Wales and Scotland would not be justifiable, since the figures of population and acreage per constable in England, Wales and Scotland respectively do not give a fair comparison, and the strength of the Scottish Police Forces ought certainly to be calculated on a separate basis.

The above-mentioned investigation should include the possibility of the compulsory amalgamation, at the discretion of the Secretary for Scotland, of two or more County or Burgh Police Forces, which are at present separate. We understand that at present there is no machinery for the amalgamation of one County Police Force with another, nor of one Burgh Police Force with another, though Burghs may agree to consolidating their Police with the County Police. The Desborough Report recommended that, in Scotland, all separate Police Forces in Burghs of less than 50,000 population should be merged in the County Police Forces, and that small County Forces should be grouped with one another or with an adjoining large Force under a single Joint Police Authority. We are satisfied that such amalgamations of the County Police Forces would produce economies and should be effected, and, as regards amalgamation of Burgh Police Forces, we think that the Secretary for Scotland should have power to enforce such amalgamations where he thinks they would be economical without loss of efficiency.

When it is pointed out that the approximate cost of Police per head in 1913/14 in Scotland was £115 and has now risen to £323,

an increase of 181 per cent., it is not necessary to emphasise how important is the need for economy in numbers. A saving of 5 per cent. on the present numbers (6,563) would mean a saving of more than £100,000.

But apart from numbers, there is the question of pay, pensions and allowances, which, as we have just shown, has resulted in a total cost per head of Police rising from £115 in 1913/14 to £323 in 1921, an increase of £208, or 181 per cent. The present pay of the Scottish Police Forces is fixed in accordance with the report of the Desborough Committee of July, 1919, and the remarks which we have made on this subject in connection with the Police (England and Wales) apply equally to Scotland. We would only repeat that, in our opinion, there is good ground for differentiating between the Metropolitan and the Provincial Police in this matter, and we recommend that the obligation to pay the Metropolitan Police Scale in Provincial Forces should be cancelled.

As regards *Pensions*, we have already dealt with the matter in our Report on Police (England and Wales), and appended to that Report will be found a memorandum by the Government Actuary which covers the question of Police Pensions in Scotland.

On the subject of *Allowances*, we draw attention to the recommendations which we have made on this head in our Report on the Police (England and Wales), and we think that they should be applied *mutatis mutandis* in the case of the Scottish Police.

5. For the purpose of the forthcoming financial year, we recommend that there should be a reduction of 12½ per cent. on the estimated £2,120,000 cost of the Scottish Police Forces, with a consequent saving of £265,000. It must be borne in mind that only one-half of this saving, *i.e.*, £132,500, would accrue to the Exchequer, the other half accruing to the ratepayer. We recommend that, pending the determination of a fixed grant on a *per capita* basis, the Scottish Police Authorities should be informed that the Exchequer contribution for 1922/23 will be based on the assumption that the percentage reduction which we have just suggested is effected, and that instead of contributing one-half of £2,120,000, *i.e.*, £1,060,000, the Exchequer contribution will not exceed £927,500, which is half of the revised total cost of £1,855,000. The saving to the Exchequer would be £132,500.

## CONCLUSIONS.

**6. As a result of our consideration, we are of opinion:—**

**(1.) That the present "percentage grant" system should be discontinued.**

**(2.) That a full investigation should at once be made of the strength of the Police Forces in Scotland in order to enforce economy and to effect amalgamations of Police Forces wherever economy would result therefrom.**

**(3.) That the obligation to pay the Metropolitan Police scale of remuneration in Scottish Police Forces should be cancelled.**

**(4.) That economies should be effected forthwith in the Estimates for 1922/23 for the Scottish Police on the same lines as in the case of the Police in England and Wales, with a consequent reduction of the Estimates for 1922/23 of £265,000, of which one-half, £132,500, would enure to the Exchequer.**

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## Chapter III.

### PRISONS (ENGLAND AND WALES).

| | £ |
|---|---|
| Audited Expenditure 1913/14 ... | 767,903 |
| Net Estimate 1921/22 ... ... ... | 1,577,254 |
| Provisional Net Estimate 1922/23 ... | 1,367,254 |

1. Of this decrease in 1922/23, £111,000 is due to the fall in bonus and wages and £99,000 to other causes.

Since the above Estimate was furnished to the Treasury a further reduction of £42,360 has been made on the building programme, thereby reducing the Provisional Net Estimate to £1,324,894.

The size of this Vote is very largely determined by the numbers of the prison population and the consequent numbers of prison officers required. The average daily number of prisoners is as follows :—

| | |
|---|---|
| 1913/14 ... ... ... ... ... | 18,236 |
| 1921/22 Estimate ... ... ... ... | 13,450 |
| 1922/23 Estimate ... ... ... ... | 15,000 |

The figures of " Prison Staff " are :— .

| | |
|---|---|
| 1914 ... ... ... ... ... ... | 3,360 |
| 1922/23 Estimate ... ... ... ... | 3,053 |

The Prison Commission, in estimating the number of prisoners for 1922/23 at the high figure of 15,000 (compared with 13,450 in the current year), have, of course, included Sinn Fein prisoners in this country and have made allowance for an increased number of these latter. We understand that, as a result of the amnesty, some 600 Sinn Fein prisoners will be released from this country and the margin allowed for an increased number of such prisoners in 1922/23 will not be required. This, and the consequent reduction of some fifty warders, who, we understand, were added to deal with these prisoners, should result in a large saving.

2. *Ratio of Prisoners to Staff.*

We are informed by the Prison Commission that the actual number of prisoners in 1921 was 18 per cent. less than in 1914. The number of prison staff in 1921 was 14 per cent. less than in 1914. Whereas in 1922/23 it is estimated that there will be one officer to every 4·9 prisoners, in 1914 there was one officer to every 5·4 prisoners. We understand that the introduction in 1919 of the 8-hour day and weekly rest day for warders, the growth of the Borstal system, and increased care for the mental and physical condition of prisoners have led to this recent increased ratio of officers to prisoners.

3. *Cost of Prisoners.*

The attached table (Appendix "A") shows the average cost per head of prisoners in England and Scotland before the war and in 1920, the last year for which full figures are available. From this table it will be seen that the cost of prison staff and maintenance of prisoners in England has increased much more than in Scotland, and we suggest that the English cost should be reduced at least to the level of the cost in Scotland.

4. *Pay of Officers.*

| | £ |
|---|---|
| Audited Expenditure, 1913/14 ... | 380,429 |
| Net Estimate, 1921/22 ... ... | 886,106 |
| Net Estimate, 1922/23 ... ... | 763,346 |
| Reduction ... | 122,760=14 per cent. |

It will be seen that this item of the pay and allowances of prison officers constitutes more than half of the whole Prison Vote. As we have elsewhere stated, we are dealing with the question of the pay of State servants separately. We would only here point out the great increase in the annual cost of the pay and allowances of warders, per head of prison population, as shown in the following table:—

| | 1914. | 1921. |
|---|---|---|
| | £ | £ |
| Local Prisons ... ... ... | 19·3 | 62·2 |
| Convict Prisons ... ... ... | 26·2 | 87·9 |
| Borstal Institutions ... ... | 22·2 | 62·4 |

5. *Cost of Maintenance of Warders.*

The provisional Estimates for 1922/23 were based on the assumption that the maintenance cost of each warder would be £123. We were not satisfied that this cost sufficiently reflected the fall in prices, and on a revision of their calculations, the Prison Commission have furnished us with an amended Estimate by which the maintenance cost of each warder is reduced from

£123 to £107, giving a saving of £16 a head for each 3,000 warders.

6. *Clothing, Bedding and Furniture.*

This item is estimated at £67,000. We have examined the basis of this Estimate, and are satisfied that it could be reduced by 5 per cent., *i.e.*, to £63,650, by extending the life of the articles. Even this latter total is based on the outside Estimate of 15,000 prisoners, and should be further reduced on account of the reduction in the number of Sinn Fein prisoners allowed for.

7. *Criminal Lunatics.*

The Estimate for 1922/23 is £24,600, based on a number of 319 criminal lunatics. In consultation with the Prison Commission, we have considered the basis of this calculation, and we think the estimated numbers can be reduced to 300, with a consequent saving on the estimated cost.

8. *Closing of Prisons.*

We understand that the Prison Commission are of opinion that no further closing of prisons is considered to be practicable at the present time, but in view of the release of the Sinn Fein prisoners we think this question should be very carefully re-examined.

9. *Imprisonment before Payment of Fine.*

We are informed that as a result of Section 1 of the Criminal Justice Administration Act, 1914, a large number of prisoners are committed to prison without having sufficient time to pay the alternative fine. This is due to the fact that Magistrates, as the Law stands at present, have to send a prisoner (who is unable to pay the fine at the moment) to prison, unless he is able to prove that he has a fixed abode in the actual area of jurisdiction of the Court. We are informed that, in many such cases, the fines would be forthcoming in a very short time if the prisoner were not at once incarcerated. Indeed, we are told that of prisoners committed in default of fine in 1921, no less than 38 per cent. paid fine after reception into prison, *i.e.*, 5,088 out of 13,404. If Section 1 of the Criminal Justice Administration Act were amended in this respect, we are informed that a saving in escort and maintenance on a large number of short-sentence prisoners would be effected, and we suggest that this should be carefully considered.

10. *Prison Labour.*

We are struck by the fact that this labour is not more remunerative. We are informed that the present lack of machinery is a great hindrance, and that, in view of the expense involved in having the work supervised by warders at their present rates of pay, the produce does little more than pay the cost of supervision. Further, it is found that in present circumstances,

Government Departments, who are normally the largest purchasers of the products of Prison labour, are now able to obtain the same articles at less cost from surplus stocks of war stores. We think that, although on that account it is more difficult at present economically to use Prison labour, the use of it upon all Government requirements should be most carefully considered

## CONCLUSIONS.

**As the result of our consideration, we are of opinion:—**

**(1.) That the reduction in the numbers of Warders and the revised Estimate for the cost of maintenance of Warders will enable substantial savings to be made, and to this must be added the result of the Irish Settlement.**

**(2.) That, in view of these considerations and other minor economies which we have suggested, this Estimate should be reduced by £200,000 (including the reduction of the building programme) to a total of £1,167,254.**

## APPENDIX (A).

AVERAGE Gross Cost per Head of Prisoners in England, Wales and Scotland.

| | 1913. | | | | | | | | | 1920. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A Salaries, &c., of Warders. | | | B Maintenance. | | | C Gross Cost. | | | A Salaries, &c., of Warders. | | | B Maintenance. | | | C Gross Cost. | | |
| *Local Prisons.* | £ | *s.* | *d.* | £ | *s.* | *d.* | £ | *s.* | *d.* | £ | *s.* | *d.* | £ | *s.* | *d.* | £ | *s.* | *d.* |
| England and Wales | 20 | 16 | 2 | 8 | 12 | 10 | 35 | 10 | 10 | 74 | 5 | 9 | 26 | 12 | 6 | 110 | 8 | 5 |
| Scotland ... ... | 17 | 10 | 2 | 8 | 18 | 7 | 28 | 5 | 1 | 59 | 5 | 10 | 20 | 18 | 3 | 83 | 6 | 8 |
| *Convict Prisons.* | | | | | | | | | | | | | | | | | | |
| England and Wales | 27 | 15 | 8 | 14 | 19 | 0 | 47 | 3 | 9 | 118 | 2 | 7 | 36 | 18 | 9 | 166 | 4 | 0 |
| Scotland ... ... | 25 | 18 | 10 | 14 | 18 | 3 | 43 | 0 | 1 | 109 | 15 | 2 | 29 | 19 | 0 | 142 | 16 | 9 |
| *Borstal and Polmont.* | | | | | | | | | | | | | | | | | | |
| England and Wales | 23 | 15 | 2 | 16 | 7 | 7 | 45 | 18 | 8 | 73 | 12 | 1 | 40 | 9 | 8 | 129 | 5 | 10 |
| Scotland ... ... | 23 | 4 | 6 | 18 | 3 | 4 | 43 | 3 | 7 | 56 | 5 | 5 | 29 | 12 | 11 | 89 | 8 | 3 |

*Note.*—In column A for both years the figures for England and Wales (not for Scotland) include a proportion for the salaries of the Head Office, viz., 30s. in 1913 and about £4 10*s.* for 1920.

## Chapter IV.

### PRISONS, SCOTLAND.

| | £ |
|---|---|
| Audited Expenditure, 1913/14 ... ... | 123,437 |
| Net Estimate, 1921/22 ... ... ... | 238,957 |
| Provisional Estimate, 1922/23 ... ... | 208,600 |

1. Of this amount, £21,000 is due to fall in bonus and wages, and £9,350 to other causes. We understand that there will be a further saving due to the reduction of bonus.

The numbers of staff show the following comparison with pre-war :—

*Staff in the Prisons—*

| | |
|---|---|
| 1913/14 ... ... ... ... ... | 551 |
| 1922/23 ... ... ... ... ... | 570 |

*Staff in the Prison Commission Office—*

| | |
|---|---|
| 1913/14 ... ... ... ... ... | 26 |
| 1922/23 ... ... ... ... ... | 27 |

*Numbers of Prisoners—*

| | |
|---|---|
| 1913/14 ... ... ... ... ... | 3,000 |
| 1921/22 ... ... ... ... ... | 2,133 |
| 1922/23 ... ... ... ... ... | 2,135 |

The Estimates have been based on what was expected to be the actual number of prisoners during the year 1922/23. Since these numbers were estimated, an amnesty has been granted to Sinn Fein prisoners, of whom we understand there were approximately fifty in the Scottish prisons. There should, therefore, be a saving of the maintenance of this number of prisoners.

2. *Cost of Prisoners.*

The gross cost per head of prisoners shows the following comparison for the years 1913, 1920 and 1922 (estimated) :—

| —— | 1913. | 1920. | 1922 (estimated). |
|---|---|---|---|
| | £ | £ | £ |
| Local Prisons ... ... ... ... | 28 | 83 | 86 |
| Convict Prisons ... ... ... | 43 | 142 | 138 |
| Polmont (Borstal Institution) ... | 43 | 89 | 98 |

These increases since 1913 are mainly due to the advanced pay and increased cost of maintenance of warders, but we consider that the cost for 1922 should show a decrease all round as compared with 1920 instead of showing a marked increase as they do in the case of Local Prisons and Polmont.

3. *Numbers of Prison Officers.*

We have shown above that the Estimates include a provision for an increase of 21 in the numbers of prison staff compared with 1913/14. In view of the release of the Sinn Fein prisoners, we recommend that a proportionate reduction of Warders, with a consequent saving of their pay and maintenance cost, should be made.

4. *Closing of Prisons.*

We suggest that the prisons of Stornoway, Lerwick and Kirkwall, where the average daily number of prisoners does not exceed 2, should be closed, and that they should be converted into " legalised cells " in the charge of the Police for sentences up to 14 days. We further suggest that Dundee Prison should only be utilised for short-sentence prisoners, and that the other prisoners should be transferred to Perth Prison. We undertand that both these measures will result in economy.

5. *Building Programme.*

This has already been restricted by the Prison Commission, but we suggest that the following works which have not yet been commenced should be postponed :—

(*a.*) Governor's House at Edinburgh new prison for which £2,500 is asked in 1922/23.

(*b.*) Work on the Chapel for Greenock prison.

6. *Convict Labour.*

In Scotland, such labour is employed on the construction of Peterhead Harbour of Refuge. We propose to deal with this subject in our Report on the Estimates for Peterhead (Class I, 12).

## CONCLUSION.

**As a result of our consideration, we are of opinion that, in view of the possibilities of savings which we have indicated above, the Estimate should be reduced by £12,500 to £196,100.**

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## Chapter V.

## REFORMATORY AND INDUSTRIAL SCHOOLS.

| — | England and Wales. | Scotland. | Great Britain. |
|---|---|---|---|
| | £ | £ | £ |
| Audited Expenditure 1913–14 ... | — | — | 277,886 |
| Net Estimates— | | | |
| 1921–22 ... ... ... ... | 597,586 | 140,915 | 738,501 |
| 1922–23 ... ... ... ... | 481,586 | 109,325 | 590,911 |

1. The figures for 1913/14 cannot be divided between England and Wales, and Scotland.

The main increase in the Vote is due to the altered basis on which the Government Grant is paid. Before the war State contributions were fixed on a capitation basis; but owing to the increased expenditure and the falling off in voluntary contributions a new system was introduced under which the State paid 50 per cent. of the net expenditure of each Local Authority's school and a proportion of the aggregate expenditure on voluntary schools, being the amount necessary with the Local Authority's flat rate contribution to provide for the proper maintenance of each school.

We have already commented on the disadvantages of percentage contributions, and our remarks apply with even greater force to contributions of this nature. We consider that some grant system should be devised which would leave to the controlling Authority full incentive for economical management now lacking.

2. The number of schools in England and Wales which now hold the certificate of the Secretary of State is as follows:—

| | Voluntary. | Local Authority. |
|---|---|---|
| Reformatory Schools ... ... | 32 | 2 |
| Industrial Schools ... ... ... | 89 | 20 |
| Short-term Industrial Schools ... | — | 9 |
| Day Industrial Schools ... ... | — | 5 |
| Total ... ... | 121 | 36 |

The number of Inmates estimated for 1922/23 shows a substantial reduction on previous years; details are as under:—

| | England and Wales. | | | Scotland. | | |
|---|---|---|---|---|---|---|
| | 1913–14. | 1921–22. | 1922–23. | 1913–14. | 1921–22. | 1922–23. |
| Reformatories ... | 4,061 | 3,925 | 3,396 | 765 | 680 | 650 |
| Industrial schools ... | 12,126 | 9,352 | 8,251 | 4,270 | 3,430 | 3,390 |
| Short-term industrial schools. | 935 | 750 | 644 | 155 | 130 | 110 |
| Day industrial schools | 1,794 | 728 | 417 | 1,350 | 1,270 | 1,360 |
| TOTAL ... | 18,916 | 14,755 | 12,708 | 6,540 | 5,510 | 5,510 |

As a result of this reduction in the numbers of Inmates the number of schools is being reduced as under:—

| | |
|---|---|
| Closed or being closed... ... ... ... | 13 |
| To be closed ... ... ... ... ... | 12 |
| | 25 |

3. The net cost per head in the various types of schools is as follows :—

| | England and Wales. | | | Scotland. | | |
|---|---|---|---|---|---|---|
| | 1913–14. | 1921–22. | 1922–23. | 1913–14. | 1921–22. | 1922–23. |
| | £ | £ | £ | £ | £ | £ |
| Reformatories ... | 28·31 | 71·67 | 68·5 | 30·8 | 60·6 | 60·0 |
| Industrial schools ... | 28·16 | 88·94* / 68·88† | 78·18* / 62·76† | 23·3 | 59·8 | 49·2 |
| Short-term industrial schools. | 25·03 | 69·5 | 68·8 | 33·0 | 53·9 | 81·8 |
| Day industrial schools | 13·3 | 33·59 | 50·07 | 9·7 | 26·6 | 15·8 |

* L.C.C., including 1 day industrial school. † Other than L.C.C.

4. A detailed statement has been supplied showing the average weekly cost per head in a Reformatory School in 1913 and 1922/23, and the main items are given below :—

| | 1913. | 1922–23. | Increase. |
|---|---|---|---|
| | *s.* *d.* | *s.* *d.* | Per cent. |
| Salaries ... ... ... ... | 3 0 | 8 6 | 183 |
| Food (including staff) ... ... | 2 10 | 7 6 | 165 |
| Clothing ... ... ... ... | 1 6 | 3 5 | 128 |
| Domestic ... ... ... ... | 1 3 | 2 6 | 100 |
| Other items ... ... ... ... | 2 0 | 4 7 | 130 |
| | 10 7 | 26 6 | 150 |

In regard to salaries, the Authorities responsible for these Schools were compelled, in order to obtain suitable teachers, to adopt the same scales as the Local Authorities, and we do not see how these Schools can hope to obtain a teaching staff at lower rates of salary than those obtaining in the ordinary Elementary Day Schools. It is admitted, however, by the Home Office that certain Schools are extravagantly staffed and pay exceptionally high salaries.

With increased salaries it is of even greater importance to avoid overstaffing.

5. *Standard of Staffing.*

We have examined details of the Schools from which staff returns for 1922/23 have been received. The following figures show a very serious increase in the standard of staffing as compared with 1913 :—

| | 1913. | 1922. |
|---|---|---|
| No. of beds ... ... ... | 14,043 | 14,630 |
| No. of children ... ... ... | 13,062 | 10,785 |
| No. of staff ... ... ... | 1,442 | 1,429 |
| No. of children per unit of staff | 9·06 | 7·55 |

In other words, the standard of staffing has been raised by 16·6 per cent., or, if the standard of 1913 had been maintained, 239 fewer staff would have been employed.

The position in London is even worse. The children have increased from 962 to 996, but the staff have gone up from 116 to 151, the ratio being 8·3 in 1913 as against 6·6 in 1921, an increase in the standard of 20 per cent. These figures are averages, but there are individual cases where the results are still more unsatisfactory.

Figures which have been supplied to us show that the Schools in Scotland are more economically staffed than Schools in England and Wales, and in the latter case Girls' Schools are more extravagantly staffed than Boys'.

As in the case of Elementary Schools, we think that without any loss of efficiency it should be possible to increase the number of children per teacher, and thus to effect a saving in cost.

We have examined the list of instructors given in the returns from various Schools, and noted, for example, that a School of only 140 boys had a full-time bandmaster at £208 per annum. We cannot think that the musical training can justify this.

It was admitted that the number of instructors in Boys' Schools in some cases is too high. We were told steps are being taken to reduce the number of instructors, and to place bandmasters on a part-time basis. We consider that the whole question of instructors should be thoroughly reviewed, and that instructors should be retained only in cases where it is possible for them to earn their salaries by the work they are able to perform in such industries as Boot-repairing, Tailoring, Baking, &c.

Our examination tends to show that the staffing of these schools throughout is unnecessarily lavish and that without any loss of efficiency economies are possible, but they can only be made by the Authorities controlling the schools, and this will be best attained by a complete discontinuance of the percentage system of grants.

The other items show large percentage increases, and we think without any hardship reductions are possible in the Estimate for 1922/23. For example, the average cost of clothing is equal to £8 17*s*. 8*d*. per child per annum.

6. *Day Industrial Schools.*

The Day Industrial Schools, which were originally intended for the children who played truant from the ordinary Elementary Schools, do not now perform the functions for which they were primarily intended. As will be seen from the table in paragraph 3, the cost per head has risen enormously in England and Wales from £13 to £50. The total cost of these schools in 1922/23 was estimated at £21,909, but since the Estimates were submitted to us we learn that it is now proposed to close the three schools.

7. *Parents' Contributions.*

The amount recovered from parents is as under :—

| | *Average per head per annum.* | |
|---|---|---|
| | *s.* | *d.* |
| England and Wales ... ... ... | 75 | 3 |
| Scotland ... ... ... ... ... | 36 | 8 |

It will be seen that the parents' contributions in Scotland are far below the contributions in England and Wales. We cannot regard the sum collected in Scotland as adequate, and consider more energetic steps should be taken to increase the amount collected.

8. In addition to the ordinary contributions, the Secretary of State for Home Affairs and the Secretary for Scotland have had sums set apart called " variable grant," the amounts for 1922/23 being as under :—

| | £ |
|---|---|
| England and Wales ... ... ... | 32,000 |
| Scotland ... ... ... ... ... | 5,500 |

In view of our recommendation that a lump sum grant be given, the necessity for these variable grants disappears, as cases of this kind must be met out of the total grant. The need for this is a collateral evil to the percentage grant system.

## CONCLUSIONS.

**After full consideration of the circumstances, we are of opinion :—**

**(1.) That the cost per head has risen unreasonably, owing largely to the recently introduced system of percentage grants, which should be abolished.**

**(2.) That, in view of the reduction in the number of children committed, certain schools should be closed.**

**(3.) That the standard of staffing is lavish, and can be reduced without loss of efficiency.**

**(4.) That the Net Estimates should be reduced from £481,586 to £435,000 in England and Wales, and from £109,325 to £100,000 in Scotland.**

## Chapter VI.

## BOARD OF CONTROL, ENGLAND AND WALES.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 21,464 |
| 1921/22 Net Estimate ... ... ... | 511,364 |
| 1922/23 Provisional Net Estimate ... | 535,968 |

Since the Provisional Estimate was submitted, a revised Estimate has been put forward showing a reduction of £5,528.

The contributions under this Vote to Local Authorities are in respect of the provision and maintenance of accommodation for mental defectives only who are generally speaking incurable. The contributions do not cover cases of general lunacy.

The Mental Deficiency Act was only passed in 1913, so that the expenditure during the year 1913/14 does not reflect the operation of the Act. The Exchequer pays 50 per cent. of the expenditure by Local Authorities approved by the Department. This is another instance of the percentage grant system, and in our examination of the representatives of the Department, we were particularly struck with the difficulty of controlling expenditure of this kind.

As illustrating the variation in the standard of management, we attach as Appendix (A) a statement showing the cost per head in 1920/21 at both Local Authority Institutions and Voluntary Institutions.

The average cost per head varied from £58 to as high as £320 in Local Authority Institutions, and from £41 to £76 in Voluntary Institutions. The highest cost was explained as being due to the small number of patients in relation to the certified accommodation of the Institution; but even comparing Institutions of similar size we found fluctuations, the cost of some being practically double that of others.

Taking the item of food alone, the cost per head at one Institution was £19, and at another with a similar number of patients this item cost £33·18.

It was admitted that some Local Authorities manage these Institutions on a more extravagant scale than others; but we found no evidence that the expenditure of those extravagant Authorities was reduced to the level of that of the more prudent ones before the Government grant on the percentage basis was certified for payment.

The number of places at present provided in the Institutions to which the State contributes is 15,000, and there are now 9,000 patients in those Institutions. We were told that there was a large number of mentally defective persons outside the Institutions.

If this were not an activity which we regard as essential to the physical and moral health of the nation, we would have

recommended a substantial reduction in the Vote in order to enforce economy. In the circumstances we refrain from any reduction, pointing out, however, that a larger number of these afflicted persons could in our opinion be taken into these Institutions within the limits of the Estimates. There are at the present time 6,000 places unoccupied.

## CONCLUSION.

**We recommend that the necessary steps be taken to change this grant from a " percentage " basis to a " per capita " basis coupled with provisions to ensure adequate treatment and economical management.**

# APPENDIX (A).

*Local Authority Institutions.*

STATEMENT showing the actual *net* Cost per Head per Annum of the Maintenance, &c., of Patients during the Financial Year ended March 31, 1921.

| | Ashfield C.I. Bradford (L.A.). | | Bramley House (Middlesex L.A.). | | *Brunswick House (London L.A.). | | Cloughs (Stoke-on-Trent). | | Cross Corners (Leicester Co. Bo.). | | Farfield (Leeds.) | | Meanwood Park (Leeds). | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date when first patient admitted | 28.10.16 | | 18.11.16 | | 8.9.16 | | 23.11.20 | | 1.7.16 | | 15.3.17 | | 25.8.19 | |
| Certified accommodation ... ... | 48 | | 45 | | 50 | | 50 | | 32 | | 47 | | 105 | |
| Average daily number in 1920–21 | 34 | | 45 | | 46 | | 9 | | 30 | | 45 | | 78 | |
| *Actual Cost per Head per Annum.* | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ |
| Salaries and wages... ... ... | 770 | 22·65 | 599 | 13·32 | 651† | 14·15 | 396 | 44·00 | 232 | 7·73 | 364 | 8·09 | 1,027 | 13·17 |
| Food ... ... ... ... ... | 1,013 | 29·79 | 1,102 | 24·49 | 977 | 21·24 | 304 | 33·78 | 692 | 23·07 | 1,086 | 24·13 | 1,789 | 22·94 |
| Clothing ... ... ... ... | 347 | 10·21 | 272 | 6·04 | 283 | 6·15 | 351 | 39·00 | 176 | 5·87 | 166 | 3·69 | 512 | 6·56 |
| Medicines ... ... ... ... | 18 | ·53 | 5 | ·11 | 3 | ·07 | 24 | 2·66 | 14 | ·47 | 47 | 1·04 | 106 | 1·36 |
| Fuel, light, water and other necessaries. | 354 | 10·41 | 317 | 7·04 | 392 | 8·52 | 290 | 32·22 | 191 | 6·36 | 407 | 9·04 | 1,332 | 17·08 |
| Furniture and bedding ... ... | 291 | 8·56 | 18 | ·40 | 76 | 1·65 | 566 | 62·90 | 166 | 5·53 | 169 | 3·76 | 972 | 12·46 |
| Removal, &c., expenses ... ... | — | — | — | — | 8 | ·17 | — | — | 5 | ·17 | — | — | — | — |
| Superannuation allowances ... | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Maintenance and repairs of buildings, roads, &c. | 1,025 | 30·15 | 216 | 4·80 | 52 | 1·13 | 16 | 1·78 | 132 | 4·40 | 115 | 2·56 | 557 | 7·14 |
| Purchase of land and buildings and alterations. | — | — | — | — | — | — | — | — | — | — | — | — | 26 | ·33 |
| Interest on loans ... ... ... | — | — | — | — | — | — | 90 | 10·00 | — | — | — | — | — | — |
| Repayment of principal of loans | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Payments to Sinking Fund ... | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Rents, rates, taxes, insurance, &c. | 222 | 6·53 | 307 | 6·82 | 125 | 2·72 | 123 | 13·66 | 113 | 3·77 | 184 | 4·09 | 352 | 4·51 |
| Office and establishment expenses | 129 | 3·79 | 143 | 3·17 | 159 | 3·46 | 501 | 55·67 | 60 | 2·00 | 185 | 4·11 | 241 | 3·09 |
| Other items (net) ... ... ... | 269 | 7·91 | 302 | 6·72 | — | — | 220 | 24·44 | 49 | 1·63 | 339 | 7·53 | 288 | 3·69 |
| | 4,438 | *130·53* | 3,281 | *72·91* | 2,726 | 59·26 | 2,881 | *320·11* | 1,830 | *61·00* | 3,062 | *68·04* | 7,202 | *92·33* |
| Farm receipts ... ... ... | — | — | — | — | 58‡ | 1·26 | | | | | | | | |
| | — | — | — | — | 2,668 | *58·00* | — | — | — | — | — | — | — | — |

* Figures relate to 1919–20, the figures for 1920–21 not being yet available.

† Excluding repayments by Staff for board which are charged under "Food."

‡ Included receipts referable to three years.

| — | *Southside Home (London). | | Stoke Lyne (Devon). | | Wales Court (Sheffield). | | Westwood (Bradford). | | Whixley (Mid-Yorks Joint Board). | | Yatton Hall (Somerset). | | Rawcliffe Hall (Yorks, W.R.). | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date when first patient admitted | 21.12.16 | | 22.9.19 | | 20.2.19 | | 28.12.18 | | 15.5.16 | | 1.10.19 | | 28.9.20 | |
| Certified accommodation ... ... | 80 | | 53 | | 40 | | 47 | | 140 | | 76 | | 130 | |
| Average daily number in 1920–21 | 78 | | 21 | | 29 | | 27 | | 128 | | 34 | | 29 | |
| *Actual Cost per Head per Annum.* | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ |
| Salaries and wages ... ... | 1,281† | 16·42 | 387 | 18·43 | 372 | 12·83 | 457 | 16·93 | 4,565† | 35·66 | 461 | 13·56 | 279 | 9·62 |
| Food ... ... ... ... ... | 1,541 | 19·76 | 399 | 19·00 | 678 | 23·38 | 896 | 33·18 | 3,441 | 26·88 | 872 | 25·65 | 516 | 17·79 |
| Clothing ... ... ... ... | 166 | 2·13 | 133 | 6·33 | 110 | 3·79 | 278 | 10·30 | 1,032 | 8·06 | 211 | 6·20 | 192 | 6·62 |
| Medicines ... ... ... ... | 31 | ·40 | 39 | 1·86 | 77 | 2·66 | 31 | 1·15 | 193 | 1·51 | 48 | 1·41 | 17 | ·59 |
| Fuel, light, water and other necessaries | 472 | 6·05 | 250 | 11·91 | 290 | 10·00 | 484 | 17·93 | 1,792 | 14·00 | 226 | 6·65 | 975 | 33·62 |
| Furniture and bedding ... ... | 186 | 2·39 | 16 | ·76 | 212 | 7·31 | 668 | 24·74 | 648 | 5·06 | 105 | 3·09 | 162 | 5·59 |
| Removal, &c., expenses ... ... | 1 | ·01 | 2 | ·09 | — | — | — | — | 12 | ·09 | 1 | ·03 | — | — |
| Superannuation allowances ... | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Maintenance and repairs of buildings, roads, &c. | 623 | 7·99 | 30 | 1·43 | 398 | 13·72 | 599 | 22·18 | 171 | 1·34 | 45 | 1·32 | 61 | 2·10 |
| Purchase of land and buildings and alterations | — | — | — | — | — | — | 260 | 9·63 | 319 | 2·49 | — | — | — | — |
| Interest on loans ... ... ... | 130 | 1·66 | — | — | 150 | 5·17 | — | — | 112 | ·88 | — | — | 337 | 11·62 |
| Repayment of principal of loans | — | — | — | — | — | — | — | — | 2,198 | 17·17 | — | — | — | — |
| Payments to Sinking Fund ... | 56 | | — | — | — | — | — | — | — | — | — | — | — | — |
| Rents, rates, taxes, insurance, &c. | 138 | 1·77 | 242 | 11·52 | 148 | 5·10 | 191 | 7·07 | 412 | 3·23 | 68 | 2·00 | 143 | 4·93 |
| Office and establishment expenses | 153 | 1·96 | 72 | 3·43 | 113 | 3·90 | 206 | 7·63 | 358 | 2·80 | 83 | 2·44 | 360 | 12·41 |
| Other items (net) ... ... ... | 105 | 1·34 | 161 | 7·67 | 612 | 21·10 | 378 | 14·00 | 18 | ·14 | 18 | ·53 | 381 | 13·14 |
| | 4,883 | *62·60* | 1,731 | *82·43* | 3,160 | *108·96* | 4,448 | *164·74* | 15,272 | *119·31* | 2,138 | *62·88* | 3,423 | *118·03* |
| Farm receipts ... ... ... | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

* Figures relate to 1919–20, the figures for 1920–21 not being yet available.

† Excluding repayments by Staff for Board which are charged under "Food."

*Certified Institutions Established and Maintained by Voluntary or Philanthropic Bodies.*

STATEMENT showing the actual *net* Cost per Head per Annum of the Maintenance, &c., of Patients during the Financial Year ended March 31, 1921.

| —— | Brentry. | | Royal Albert. | | Stoke Park. | | Whittington Hall. | | Midland Counties. | | Springfield Lodge. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Certified accommodation, 1920–21 ... ... | 230 | | 750 | | 1,578 | | 400 | | 150 | | 28 | |
| Average daily number in 1920–21 ... ... | 210 | | 726 | | 1,519 | | 391 | | 132 | | 28 | |
| *Actual Cost per Head per Annum.* | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ | Total. £ | Per Head. £ |
| Salaries and wages ... ... ... ... | 3,301 | 15·72 | 19,323 | 26·62 | 18,940 | 12·47 | 3,207 | 8·20 | 3,120 | 23·64 | 259 | 9·25 |
| Food ... ... ... ... ... ... | 3,323 | 15·82 | 17,675 | 24·35 | 24,521 | 16·14 | 5,837 | 14·93 | 3,211 | 24·33 | 875 | 31·25 |
| Clothing ... ... ... ... ... ... | 1,078 | 5·13 | 3,250 | 4·48 | 9,752 | 6·42 | 1,932 | 4·94 | 902 | 6·83 | 155 | 5·54 |
| Medicines ... ... ... ... ... | 22 | ·11 | 237 | ·32 | 562 | ·37 | 39 | ·10 | 78 | ·59 | 10 | ·36 |
| Fuel, light, water and other necessaries ... | 1,787 | 8·51 | 8,281 | 11·41 | 6,614 | 4·35 | 1,201 | 3·07 | 1,236 | 9·36 | 234 | 8·36 |
| Furniture and bedding ... ... ... ... | 431 | 2·05 | 1,684 | 2·32 | 2,835 | 1·87 | 753 | 1·93 | 206 | 1·56 | 61 | 2·18 |
| Removal, &c., expenses ... ... ... ... | 102 | ·49 | 302 | ·41 | 482 | ·32 | 108 | ·28 | 92 | ·70 | 18 | ·64 |
| Superannuation allowances ... ... ... | — | — | — | — | — | — | — | — | — | — | — | — |
| Maintenance and repairs of buildings, roads, &c. | 419 | 1·99 | 1,702 | 2·34 | 4,098 | 2·70 | 830 | 2·12 | 540 | 4·09 | 122 | 4·35 |
| Purchase of land and buildings and alterations | — | — | 2,249 | 3·10 | — | — | — | — | — | — | — | — |
| Interest on loans ... ... ... ... | 666 | 3·17 | — | — | 628 | ·41 | 339 | ·87 | — | — | 6 | ·21 |
| Repayment of principal of loans ... ... | — | — | — | — | — | — | — | — | — | — | — | — |
| Payments to sinking fund ... ... ... | — | — | — | — | — | — | — | — | — | — | — | — |
| Rents, rates, taxes, insurance, &c. ... ... | 426 | 2·03 | 1,467 | 2·02 | 8,421 | 5·54 | 2,358 | 6·03 | 370 | 2·80 | 103 | 3·68 |
| Office and establishment expenses ... ... | 159 | ·76 | 1,290 | 1·78 | 4,078 | 2·69 | 1,084 | 2·77 | 328 | 2·49 | 24 | ·86 |
| Other items (net) ... ... ... ... | — | — | — | — | — | — | — | — | — | — | — | — |
| Gross cost ... ... ... ... | 11,714 | 55·78 | 57,460 | 79·15 | 30,931 | 53·28 | 17,688 | 45·24 | 10,083 | 76·39 | 1,867 | 66·68 |
| *Less* miscellaneous receipts ... | 391 | 1·86 | 2,212 | 3·05 | 5,064 | 3·33 | 1,395 | 3·57 | 56 | ·43 | 585 | 20·89 |
| Net cost ... ... ... ... ... | 11,323 | *53·92* | 55,241 | *76·10* | 75,867 | *49·95* | 16,293 | *41·67* | 10,027 | *75·96* | 1,282 | *45·79* |

## GENERAL BOARD OF CONTROL FOR SCOTLAND.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 6,139 |
| 1921/22 Net Estimate ... ... ... | 71,733 |
| 1922/23 Net Estimate ... ... ... | 76,333 |

Since this Estimate was prepared it has been intimated that the amount to be provided for 1922/23 will be increased by £28,325.

The percentage grant system applies to Scotland as well as to England and Wales.

There is only one Local Authority Institution, but there are a number of Institutions controlled by Voluntary Bodies.

There is accommodation in Institutions in Scotland for 1,477 defectives, and 1,268 patients are resident in those Institutions. In addition, Scotland places cases of this kind under guardianship in private dwellings, and at the present time there are 635 such cases.

So far as Voluntary Institutions are concerned, contract rates per head are approved by the Department; but in the case of a Local Authority Institution the difficulty of controlling expenditure is as apparent as in the case of England and Wales. In Scotland, however, the accounts seem to be dealt with in a particularly ingenious manner. Estimates are submitted as to the probable cost in the coming financial year, and after discussion are approved. If in actual working the estimated cost is exceeded, as frequently happens, the difference is carried forward and added to the cost of "providing" for the subsequent year or years; so that in form the authorised amount is complied with; but, in fact, 50 per cent. of the whole cost is sooner or later borne by the Taxpayer.

The cost per head per annum at the three principal Institutions is as under:—

| £ | s. | d. |
|---|---|---|
| 93 | 1 | 1 |
| 59 | 8 | 3 |
| 51 | 9 | 6 |

The first instance is a Local Authority Institution.

### CONCLUSION.

**The average cost per head is lower than in England. We recommend no reduction in the sums asked for, but, as recommended for England and Wales, the grant should be on a "per capita" basis, and all necessary steps should be taken to ensure economy.**

## PART VII.

### Introductory Remarks.

In this Part we deal with twenty-four votes which do not fall into convenient groups according to subject-matter, but which are arranged according to their classification in the Civil Service Estimates.

These Provisional Net Estimates for 1922/23 represent a total expenditure of £1,566,365, and we have made recommendations wherever we have come to the conclusion that economies might be effected.

The Estimates dealt with in this Part are as follows:—

Classification in Civil Service Estimates:—

Class II—
- India Office.
- Charity Commission.
- Bankruptcy Department (Board of Trade).
- Government Chemist.
- Civil Service Commission.
- Exchequer and Audit Department.
- Friendly Societies' Registry.
- Government Actuary.
- National Debt Office.
- Public Record Office.
- Public Works Loan Commission.
- Office of Woods, Forests and Land Revenues.
- Privy Seal Office.
- Secret Service.

Class III—
- Land Registry.
- Broadmoor Criminal Lunatic Asylum.
- Scottish Land Court.

Class V—
- Telegraph Subsidies.
- League of Nations.

Class VI—
- Temporary Commissions.
- Repayments to Local Loans Fund.

Class VII—
- Friendly Societies' Deficiency.

Unclassified:—
- Road Grants Unemployment Relief.
- Unemployment Grants.

## INDIA OFFICE.

### Class II(8).

| | |
|---|---|
| 1913/14 ... ... ... | No Grant. |
| 1921/22 Estimate ... | £206,500 (including £64,000 non-recurrent expenditure). |
| 1922/23 Provisional Estimate ... ... ... | £120,000. |

Under "The Government of India Act, 1919," it was arranged that for a period of five years from the 1st April, 1920, the Treasury should make to the India Office an annual lump sum contribution of £136,000 in addition to the salaries of the Secretary of State and the Parliamentary Under-Secretary, making a total of £142,500 per annum.

In spite of this arrangement India has voluntarily offered to accept a reduced grant of £120,000 for 1922/23, and this offer has been accepted.

The sum in the Estimates is, therefore, fixed by agreement, and actual costs do not fall upon the Estimates, and therefore are outside the scope of this enquiry.

---

## CHARITY COMMISSION.

### Class II(18).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 29,529 |
| 1921/22 Estimate ... ... ... | 56,647 |
| 1922/23 Provisional Estimate ... ... | 48,177 |

This Provisional Estimate has since been reduced to £44,561 —a saving of £3,616.

The staff employed in 1913/14 numbered 127 and will be reduced to 119 by the 1st April, 1922.

The main function of the Department is to exercise supervision over public charitable Trusts, and the advice of the Commissioners is constantly sought by Trustees for their protection and assistance in their administration.

Since 1913/14 no functions have been transferred from the Commissioners or abolished; but several new duties have been added as under :—

Duties under—

"The Blind Persons Act, 1920."

"The Places of Worship Enfranchisement Act, 1920."

"The War Charges Act, 1916."

Questions arising under—

"The Welsh Church Acts, 1914 and 1919."

"The Parochial Church Councils Boards Measure, 1921."

The following figures give a comparison of the volume of work and the amount of Trust money administered by the Commissioners, but do no more than form a very rough basis for comparing the duties in the two periods :—

| | 1913. | 1920. |
|---|---|---|
| Number of orders made of all descriptions ... ... ... | 3,505 | 5,185 |
| Number of Accounts of Charities rendered ... ... | 48,351 | 51,934 |
| Sum of Stocks and Investments held by Official Trustees of Charitable Funds ... ... | £32,509,761 | £49,186,597 |

The question has been considered as to whether some of the expenses of the Commissioners should not be met by fees charged for services rendered. After full consideration, however, we have come to the conclusion that such fees would be difficult to collect, and as the work is in connection with " Charities " we think that an exception can properly be made from our general principle that the cost of Government services rendered should be met by fees.

---

## BANKRUPTCY DEPARTMENT, BOARD OF TRADE.

CLASS II(13).

| | |
|---|---|
| 1913/14 ... ... ... ... | Token Vote. |
| 1921/22 ... ... ... ... | £24,914. |
| 1922/23 ... ... ... ... | £3,550. |

The Provisional Estimate has since been reduced to £10, a Token Vote.

The staff employed has been reduced from 315 in 1913/14 to 274 for the 1st April, 1922.

The Gross Estimate of the cost of this Department for the year 1922/23 is £142,000, which compares with a pre-war average of £102,000. This expenditure, however, will not entail any charge on the Exchequer as the whole cost is met by fees charged in Bankruptcy cases.

We make no recommendation.

---

## GOVERNMENT CHEMIST.

CLASS II (19).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 21,188 |
| 1921/22 Estimate... ... ... ... | 57,104 |
| 1922/23 Provisional Estimate ... ... | 50,596 |

This Provisional Estimate has since been reduced to £50,076 —a saving of £520.

The comparison of staff employed is as follows :—

| | August 1 | April 1 |
|---|---|---|
| Permanent ... ... ... | 152 | 132 |
| Temporary ... ... ... | 50 | 81 |
| Total ... ... | 202 | 213 |

Both these figures include about 100 Revenue Officers whose substantive salaries are borne on the Customs Vote.

The Government Chemist advises Government Departments, Committees and Parliament on all questions requiring the advice of expert chemists, with the exception of such work as is performed by the " Fighting Departments." The work includes the analysis of samples in connection with the Assessment to Revenue and Drawback, and in connection with the construction of Armament for the Admiralty and Air Ministry, the chemical work of the Geological Survey, the analysis of samples supplied to Government Departments on tender or contract, the analysis of samples of food and other supplies for the War Office, and of produce for the Ministry of Agriculture; and the analysis of samples referred by Magistrates under the Food and Drugs Act.

The work of this Department does not admit of a merely " quantitative " comparison of the number of " samples " analysed in different years. It does, however, appear that the number of samples dealt with steadily maintains the pre-war average of about 350,000 a year, but the field covered by these analyses is more varied than previously and much " fundamental " work is thereby involved.

A large quantity of work of a new kind has recently been thrown upon the Department in connection with the Safeguarding of Industries Act, the Importation of Dyestuffs (Regulation) Act, and the Dangerous Drugs Act.

We make no recommendation.

---

## CIVIL SERVICE COMMISSION.

### Class II(20).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 49,416 |
| 1921/22 Estimate ... ... ... | 88,492 |
| 1922/23 Provisional Estimate ... ... | 79,817 |

This Provisional Estimate has since been increased to £84,500 —an increase of £4,683.

The staff employed compares as follows :—

| | August 1, 1914. | April 1, 1922. |
|---|---|---|
| Permanent ... ... ... | 118 | 102 |
| Temporary ... ... ... | 12 | 48 |
| Total ... ... | 130 | 150 |

The increase of work at the present time is mainly due to the suspension of examinations during the war and to the introduction of the interviewing system in connection with temporary post-war entrants.

The following figures give some indication of the work of the Department :—

The increase in the staff for 1922 compared with 1914 = 15 per cent.

Increase in numbers of Civil Service Certificates issued for 1921 = 30 per cent.

Increase in numbers of candidates examined in 1921 = 50 per cent.

It is unlikely that the work of the Commission will have shrunk to normal dimensions by the end of 1922, as reductions of staff will be mainly in temporary classes.

We make no recommendation.

---

## EXCHEQUER AND AUDIT DEPARTMENT.

CLASS II (22).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 65,543 |
| 1921/22 Estimate ... ... ... | 182,220 |
| 1922/23 Provisional Estimate ... ... | 160,530 |

The following are the figures for staff :—

| | August 1, 1914. | April 1, 1922. |
|---|---|---|
| Permanent ... ... ... | 251 | 345 |
| Temporary ... ... ... | 18 | 18 |
| Total ... ... | 269 | 363 |

The work of the Exchequer and Audit Department has necessarily greatly increased with the increase of public expenditure, and we are informed that it has been a matter of difficulty to avoid a very much larger increase in staff.

The total expenditure on supply services, which has to be audited, has increased from £160,000,000 in 1913/14 to £750,000,000 in 1921/22, and in addition there are receipts on

liquidation services amounting to £158,000,000, which have to be audited. But for the Act of last year, which gave the Comptroller and Auditor-General discretion as to the extent of his audit, we are satisfied that much larger increases in staff would have been necessary. Consequently we have no suggestion to make that this staff, which is safeguarding the interest of the Taxpayer, should be reduced.

Although our recommendations, if adopted, will result in a reduction of the expenditure to be audited in future, audit is of course conducted in arrear, and we cannot therefore suggest a reduction of this Estimate at present.

---

## FRIENDLY SOCIETIES' REGISTRY.

### Class II (23).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 18,002 |
| 1921/22 Net Estimate ... ... ... | 56,075 |
| 1922/23 Provisional Net Estimate ... | 46,278 |

The numbers of staff compare as follows:—

| | |
|---|---|
| August 1, 1914 ... ... ... ... | 180 |
| April 1, 1922 ... ... ... ... | 165 |

The name of this Office is misleading, since the functions relating to Friendly Societies constitute only a small proportion of its duties. Certain of what are now perhaps the more important duties of the Office are off-shoots from the early legislation relating to Friendly Societies.

The Friendly Societies' Register has been in existence for nearly a century, the certification of rules of Savings Banks and Friendly Societies being made compulsory by the Savings Bank Act, 1828, and the Friendly Societies Act, 1829. The main work of the Chief Registrar is in connection with the registration, the certification of rules, and the amendment of rules of Friendly, Industrial and Provident, Building and Loan Societies, and Trustee and Railway Savings Banks. The Chief Registrar is also responsible for adjudicating in disputes as to Building Societies and as to deposits in the Post Office, Trustee or Railway Savings Banks. He also has to prosecute for offences against various Acts, and for misapplication of funds.

Annual returns, containing the accounts of 36,900 Societies, &c., registered under the various Acts administered by the Office, have to be examined.

New statutory duties have been imposed since August, 1914, by Acts of legislation. In spite of these additional duties, many of which are permanent, the staff has been reduced from 180 in August, 1914, to 165 in April, 1922.

The expenditure under the Vote is almost entirely on staff, and although the numbers of staff have been reduced, the cost has considerably increased, owing to the fact that the members of the staff in 1914 were mostly very junior and at the minimum of the scales.

The volume of work thrown upon this Department by Statute is best illustrated by the membership and accumulated funds of the various organisations, which are now subject to the control of the Central Office. These are as follows :—

| Act | Number of Members. | Total Funds. |
|---|---|---|
| | | £ |
| Friendly Societies Act ... | 17,366,490 | 80,275,707 |
| Industrial and Provident Societies Act ... ... | 4,534,820 | 80,749,737* |
| Building Societies Acts ... | 632,520 | 55,092,197* |
| Trade Union Acts ... ... | 5,427,892 | 15,086,888 |
| Miscellaneous Acts ... ... | 191,675 | 8,953,409 |
| Total ... ... | 28,153,675 | 240,157,938 |

* Exclusive of deposits of about £15,000,000.

The only suggestion we have to make is that the Appropriations-in-Aid, which are estimated at £4,500 for the year 1922/23, should be increased. We understand that in each year it is necessary to register :—

| | Cases. |
|---|---|
| 1. Annual returns of all Societies, Branches and Unions ... ... ... ... ... | 36,000 |
| 2. Triennial returns of Industrial and Provident Societies (lists of Share and Loan Holders) ... ... ... ... ... | 1,500 |
| 3. Quinquennial Valuations of Friendly Societies and Branches ... ... ... | 3,000 |
| Total—approximately ... ... | 40,000 |

At present no fee is charged for such registration, and we suggest that a charge of 10*s.* should be imposed in each case, which would increase the Appropriation-in-Aid by £20,000, thereby reducing the net Estimate of the Central Office to £26,278.

## GOVERNMENT ACTUARY.

CLASS II (24).

| | | |
|---|---|---|
| 1913/14 | ... | About £10 on Vote for National Health Insurance Joint Committee. |
| 1921/22 | Estimate ... ... ... | £49,478 |
| 1922/23 | Provisional Estimate ... ... | 43,935 |

This Provisional Estimate has since been reduced to £36,321—a saving of £7,614.

The numbers employed are as follows :—

| | |
|---|---|
| August 1, 1914 ... ... ... ... ... | 39 |
| April 1, 1922 ... ... ... ... ... | 53 |

The 1914 staff was fixed at the numbers required by the work of constructing the National Health Insurance system without allowing for the expansion of staff, which was inevitable when the work of the first valuation of Approved Societies fell due. In 1917 the Treasury decided that all actuarial work required by Public Departments should be concentrated in the hands of a Government Actuary.

The major portion of the work of the Department is concerned with the valuation of Approved Societies under the National Insurance Acts, the remainder consisting of references from other Departments for actuarial advice.

The Department has proved itself of great assistance in the control of expenditure, and also in giving advice when legislation affecting Unemployment Insurance, War Pensions, and matters of similar character have been before the House of Commons; and in existing circumstances we do not recommend any reduction in the numbers of staff proposed for 1922/23. In fact there are cases, *e.g.*, Teachers' Superannuation and Police Pension where we think great advantage might have been derived from extended actuarial advice.

---

## NATIONAL DEBT OFFICE.

CLASS II (27).

| | | £ |
|---|---|---|
| 1913/14 | Audited Expenditure ... ... | 12,020 |
| 1921/22 | Estimate ... ... ... | 28,088 |
| 1922/23 | Provisional Estimate ... ... | 24,345 |

This Provisional Estimate has since been reduced to £21,345—a saving of £3,000.

The staff employed compares as follows :—

| | August 1, 1914. | April 1, 1922. |
|---|---|---|
| Permanent ... ... ... ... | 39 | 37 |
| Temporary ... ... ... ... | 7 | 22 |
| Total ... ... ... ... | 46 | 59 |

The work of the National Debt Office has very largely increased since 1914 owing to the additions to the list of Government securities. In 1914 the Commissioners had under their control about thirty separate investments and securities worth about £247,000,000. They are now responsible for about sixty accounts and hold securities totalling about £672,000,000.

Having regard to the increase of work, and the importance of the functions of this Office in connection with national finance, we make no recommendation.

---

## PUBLIC RECORD OFFICE.

### Class II (28).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 26,132 |
| 1921/22 Estimate ... ... ... ... | 47,317 |
| 1922/23 Provisional Estimate ... ... | 42,500 |

This Provisional Estimate has since been reduced to £38,490—a saving of £4,010.

The numbers of staff compare as follows :—

Administrative and Clerical—

| | August 1, 1914. | April 1, 1922. |
|---|---|---|
| Permanent ... ... ... ... | 43 | 38 |
| Temporary ... ... ... ... | 14 | 8 |
| | 57 | 46 |
| Attendants, repairers, messengers, &c. ... ... ... ... | 74 | 71 |

This Department is responsible for the safe custody of papers of all Government Departments after various periods of time. The papers referred to them have to be carefully recorded and stored, and, having regard to the large increase of Government activities during the War, we do not consider that the present authorised establishment—which is less than the pre-War establishment—can be still further reduced.

---

## PUBLIC WORKS LOAN COMMISSION.

### Class II (29).

The Vote in this case is a Token Vote, as the gross expenditure of the Board is entirely met out of fees. The estimated gross expenditure for 1922/23 is £21,336, as compared with a gross cost of £11,527 in 1913/14.

The staff on the 1st August, 1914, numbered 49, and the Estimate for the 1st April, 1922, is 58.

The work has increased as follows :—

Loans granted—
1914/15 ... 1,303, totalling approximately £5 millions.
1920/21 ... 2,835, totalling approximately £61½ millions.

Advances made—
1914/15 ... 2,671, totalling approximately £5 millions.
1920/21 ... 5,524, totalling approximately £31 millions

The function of this Department is to administer the Local Loans Fund, from which loans are made under Statutory authority to Local Authorities and certain other bodies for Housing, Land Settlement and similar purposes.

Fees are charged on a scale fixed by the Treasury for the work done by the Department in connection with loans, and these fees are appropriated in aid of the Vote up to the amount of the gross expenditure (less a token sum). Receipts in excess of the expenditure are paid into the Exchequer; such extra receipts are estimated at £12,465 in 1913/14 and £53,670 in 1922/23.

In the circumstances, we make no recommendation.

---

## OFFICE OF WOODS, &c.

CLASS II (32).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 21,757 |
| 1921/22 Net Estimate ... ... ... | 42,022 |
| 1922/23 Provisional Net Estimate ... | 37,561 |

This Provisional Estimate has since been reduced to £37,294—a saving of £267.

Number of persons employed—

| | |
|---|---|
| August 1, 1914 ... ... ... ... | 100 |
| April 1, 1922 (estimated) ... ... ... | 103 |

Gross Income of the Land Revenue in 1913/14 was £750,000.

Gross income of the Land Revenues in 1919/20 was £1,199,500.

Net amount paid over to the Exchequer as surplus income :—

| | £ |
|---|---|
| 1913/14 ... ... ... ... ... | 530,000 |
| 1919/20 ... ... ... ... ... | 680,000 |

The whole question of the management of the Land Revenues of the Crown is, we understand, under the consideration of Sir Howard Frank's Committee on Government Lands, and, in these circumstances, we do not make any recommendation on this Estimate.

---

## PRIVY SEAL OFFICE.

CLASS II (32A).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | Nil. |
| 1921/22 Net Estimate ... ... ... | 7,000 |
| 1922/23 Provisional Net Estimate ... | 7,000 |

This Vote is the provision for the salary of the Lord Privy Seal and his staff whilst he acts as Leader of the House of Commons.

We make no recommendation.

---

## SECRET SERVICE.

CLASS II (34).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 46,840 |
| 1922/23 Provisional Estimate ... ... | 200,000 |

The Estimate of £200,000 for 1922/23 should be compared with a total of nearly £400,000 on the previous year, made up of £300,000 on the Secret Service Vote and £100,000 provided on other Votes. It therefore represents a reduction of 50 per cent. on 1921/22.

After considering all the circumstances, we think this figure should be capable of a further reduction to £180,000.

This last figure—nearly four times the pre-War expenditure—should, in our opinion, be sufficient.

---

## LAND REGISTRY.

CLASS III (4).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 37,282 |
| 1921/22 Estimate ... ... ... | 132,684 |
| 1922/23 Provisional Estimate ... ... ... | 113,525 |

This Provisional Estimate has since been reduced to £107,780—a saving of £5,745.

Numbers of persons employed :—

| | |
|---|---|
| August 1, 1914 ... ... ... ... | 238 |
| April 1, 1922 (estimated) ... ... ... | 375 |

The additional staff is accounted for by the growth of work, due mainly to increased sales of house property, owing to the housing shortage and rent restrictions, which make it more remunerative for owners to sell than to let, and the breaking up of large estates. The Department works on a self-supporting basis, and the estimated surplus for the current year is about

£22,000. The revenue, however, is credited direct to the Exchequer. The number of cases dealt with by the Department shows the following comparisons between 1913 and 1921 :—

| | 1913. | 1921. |
|---|---|---|
| Land Transfer Acts ... ... | 31,031 | 57,835 |
| Middlesex Deeds Department | 38,726 | 50,643 |
| Land Charges Department ... | 39,823 | 59,577 |
| | 109,580 | 168,055 |

We make no recommendation.

## BROADMOOR CRIMINAL LUNATIC ASYLUM.

### Class III (10).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 31,355 |
| 1921/22 Net Estimate ... ... ... | 80,750 |
| 1922/23 Provisional Net Estimate ... | 71,359 |
| Numbers of persons employed :— | |
| August 1, 1914 ... ... ... ... | 224 |
| April 1, 1922 (estimated) .. ... ... | 205 |

The Estimates for 1913/14 included both Broadmoor and Rampton, and applied to 976 inmates, whereas the Estimates for 1922/23 refer only to Broadmoor and apply to 700 inmates.

The cost of salaries per head has increased from £17 in 1913/14 to over £62 in 1922/23, largely due to the increased pay of the warders and also to a reduction of their hours from 13 per day to 60⅔ per week.

As a result the ratio of staff to inmates is now 1 :3·4 as compared with 1 :4·3 in 1913/14.

The comparative annual cost per inmate at Broadmoor is analysed in the following table :—

| —— | 1913–14. | Estimated, 1921–22. | Estimated, 1922–23. |
|---|---|---|---|
| | £ | £ | £ |
| Cost of salaries, wages and allowances | 17·1 | 72·55 | 62·53 |
| Victualling of inmates and attendants | 14·5 | 27·22 | 25·51 |
| Uniform, clothing, furniture, &c. ... | 4·05 | 10·09 | 8·68 |
| Medicines, &c.... ... ... ... | 0·2 | 0·25 | 0·24 |
| Fuel, light, water and cleaning ... | 4·5 | 9·03 | 8.88 |
| Escort and conveyance of inmates ... | 0·15 | 0·35 | 0·3 |
| Allowances to inmates and gratuities on discharge. | 1·05 | 1·54 | 1·49 |
| Incidentals ... ... ... ... | 0·45 | 0·9 | 0·84 |
| Gross totals ... ... | 42 | 121·93 | 108·47 |
| Less Appropriations-in-Aid, chiefly payment of attendants for their rations ... ... ... ... | — | 8·68 | 7·95 |
| Net Total... ... | 42 | 113·21 | 100·52 |

We make no recommendation.

## SCOTTISH LAND COURT.

CLASS III (12).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 7,415 |
| 1921/22 Net Estimate ... ... ... | 16,480 |
| 1922/23 Provisional Net Estimate ... | 14,529 |

This Provisional Estimate has since been reduced to £13,599—a saving of £930.

Numbers of persons employed :—

| | |
|---|---|
| August 1, 1914 ... ... ... ... ... | 21 |
| April 1, 1922 (estimated) ... ... ... | 18 |

The main function of this Court is the rent fixing under the Small Landholders (Scotland) Act, 1911, and in the circumstances we make no recommendation.

---

## TELEGRAPH SUBSIDIES.

CLASS V (4).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 24,317 |
| 1921/22 Net Estimate ... ... ... | 11,925 |
| 1922/23 Provisional Net Estimate ... | 10,800 |

There are only two subsidies now covered by this Vote, viz. : (1) to the Eastern Extension Telegraph Company; and (2) to the West India and Panama Telegraph Company.

As regards (1), this is a subsidy of £2,800 a year, paid to the Eastern Extension Australasia and China Telegraph Company in respect of the cost of maintaining the cable from Chefoo to Wei-hai Wei. This arrangement may be terminated at any time by three months' notice. We are informed that, as part of the recent general agreement with China, the Government have already agreed to give up Wei-hai Wei. In these circumstances, we recommend that the arrangement with the Telegraph Company should be terminated at the earliest possible moment, with a consequent saving of the subsidy.

---

## LEAGUE OF NATIONS.

CLASS V (5).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | Nil |
| 1921/22 Net Estimate ... ... ... | 77,000 |
| 1922/23 Provisional Net Estimate ... | 152,900 |

This Provisional Estimate has since been reduced to £115,446—a saving of £37,454.

The total expenditure of the League of Nations in 1921 is estimated to be £1,003,778, towards which, on the present basis of contribution, the British Empire pays 23 per cent. The contribution of Great Britain alone is just under 10 per cent. For the year 1922, it is estimated that the cost to the British taxpayer will be £115,446.

The finance of the League is controlled by a "Commission of Control," consisting of five members, one of whom, at least, has to be a financial expert. This Commission examines in detail the Budget prepared by the Secretary-General of the League and then submits it, with a Report, to the Council of the League.

The Commission of Control for the year 1922 is composed of representatives of France, Chili, Holland, New Zealand and Czecho-Slovakia.

The British Government's control of the expenditure of the League is limited to any representations which the Government may make through their representative on the Council of the League, and so far as the Commission of Control is concerned, the Government relies on the representative of New Zealand to watch any special interests of Great Britain.

The Budget for 1922, a copy of which is attached (Appendix "A"), provides £233,000 for Establishment charges, £37,000 for Office Expenses, £219,000 for special Organisations, Councils and Committees, and £70,000 for Capital Expenditure at Geneva.

The rates of pay of the officials and staff have either been fixed by international agreement or have been the subject of investigation by a Committee of Experts. They are held by the Treasury to be not out of keeping with those paid in the Home Civil Service and the Diplomatic Service, and although they are free of income-tax, this only compensates the staff for the very high cost of living in Geneva, and for the disadvantages of serving abroad.

Unless Geneva is fixed as the permanent home of the League of Nations, we suggest for consideration whether some less expensive place could not be found for the Secretariat of the League, and also whether some method could not be devised whereby a closer check of the activities of the League, which appear to involve considerable expenditure, could be secured.

# APPENDIX (A).

## Summary of 1922 Budget.

| Page. Budget. | Page. Details. | | Gold fr. | Sterling. |
|---|---|---|---|---|
| | | *Establishment.* | | |
| | | (i.) Salaries and wages and allowances— | | |
| | | Salaries— | | £ |
| 13 | 16 | Officials at headquarters ... | 4,106,300 | 195,540 |
| 13 | 21 | ,, ,, branches ... ... | 120,000 | 5,714 |
| 13 | 21 | Wages—House staff (cleaners, caretakers, telephonists, &c.) | 220,000 | 10,476 |
| | | | 4,446,300 | 211,730 |
| 13 | 22 | Frais de représentation ... | 189,000 | 9,000 |
| 13 | — | House allowance for Secretary-General. | 21,000 | 1,000 |
| 13 | 22 | Travelling and removal expenses | 250,000 | 11,904 |
| | | | 4,906,300 | 233,634 |
| | | (ii.) Office expenses— | | |
| 13 | 23 | Maintenance of property— | | |
| | | Headquarters (rent, nil) ... | 185,000 | — |
| | | Branches— | | |
| | | London (rent, £850) ... | 47,000 | — |
| | | Paris (rent, 30,000 fr.) ... | 65,000 | — |
| | | South America ... ... | 53,000 | — |
| | | | 350,000 | 16,666 |
| 13 | 26 | General (including stationery, 200,000 fr.) | 435,000 | 20,714 |
| | | | 785,000 | 37,380 |
| 13 | 25 | (iv.) General printing other than for Assembly meeting (excluding salaries.) | 321,000 | 15,286 |
| 13 | — | (v.) Internal committees ... ... | 17,500 | 833 |
| 13 | — | (vi.) Audit ... ... ... ... | 5,000 | 238 |
| 13 | — | (vii.) Unforeseen expenses ... ... | 110,000 | 5,238 |
| | | | 6,144,800 | 292,609 |

## TEMPORARY COMMISSIONS.

CLASS VI (7).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 52,000 |
| 1921/22 Net Estimate ... ... ... | 50,000 |
| 1922/23 Provisional Net Estimate ... | 30,000 |

The sum provided for 1922/23 may be apportioned as to £19,000 for the expenses of Commissions already sitting, and £11,000 in respect of Commissions which may have to be appointed, and we understand that no further Commissions are to be appointed except in cases of urgent necessity. We consider, however, that some provision of this kind must be made in the Estimates, but it is impossible to estimate with any accuracy except on past experience.

---

## REPAYMENTS TO LOCAL LOANS FUND.

CLASS VI (10).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 4,058 |
| 1921/22 Net Estimate ... ... ... | 1,069 |
| 1922/23 Provisional Net Estimate ... | 2,953 |

The necessity for this Vote arises from the fact that under Statute the Local Loans Fund is self-supporting, and if any loans made from it prove to be irrecoverable, the loss is directed to be made good out of voted moneys. The provision required for 1922/23 represents the amount directed by the Public Works Loans Act, 1921, to be written off the assets of the Fund in respect of certain loans specified in the Schedules to that Act. We are assured that the writing off of a loan from the assets of the Fund as a bad debt in no way relieves the debtor from liability, and that, if any sum is subsequently recovered, it is payable to the Exchequer.

In the circumstances we make no recommendation.

---

## FRIENDLY SOCIETIES' DEFICIENCY.

CLASS VII (8).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 14,653 |
| 1921/22 Net Estimate ... ... ... | 6,802 |
| 1922/23 Provisional Net Estimate ... | 6,000 |

This Vote represents a provision required by Statute to make good the deficiency in the income of the Friendly Societies' Fund arising from the fact that certain moneys were invested by Friendly Societies in the past with the National Debt Commissioners at rates which proved to be in excess of the rate of interest which those Commissioners could earn in the market. The excessive rates are payable *only* on moneys invested by Friendly Societies in the Fund in respect of contracts made by them before June, 1888, since which date the rates have been reduced. To alter the system would require legislation, and the winding up of the Fund would involve the repayment of the Capital liability of approximately £250,000.

The charge is a gradually expiring one, and in the circumstances we make no recommendation.

It may be added that the Exchequer is entitled, on the other hand, to receive the excess of interest accruing on Securities held by the National Debt Commissioners on account of the Fund for Savings Banks, and it is estimated that £200,000 will be paid into the Exchequer in 1922/23 on this account.

---

## UNEMPLOYMENT RELIEF GRANTS.

### *Road Grants Unemployment Relief.*

UNCLASSIFIED SERVICES (12).

| | £ |
|---|---|
| 1913/14 ... ... ... ... ... | Nil |
| 1921/22 Net Estimate ... ... ... | 4,500,000 |
| 1922/23 Provisional Net Estimate ... | Nil |

We understand that the money provided for 1921/22 will not be fully spent before the 31st March, 1922, and any unspent balance will have to be revoted in 1922/23.

This expenditure arises out of schemes approved by the Government in the Autumn of 1920 for expediting Road Construction and Road Improvement Works with a view to the relief of unemployment.

The provision is for meeting commitments entered into in 1920/21, in respect of schemes now in progress, and it does not appear to be possible, therefore, to reduce it.

---

### *Unemployment Grants.*

UNCLASSIFIED SERVICES (13)

| | £ |
|---|---|
| 1913/14 ... ... ... ... ... | Nil |
| 1921/22 Estimate ... ... ... | 2,000,000 |
| 1922/23 Provisional Estimate ... ... | 300,000 |

This expenditure is also required for the purpose of arrangements made in 1920 and 1921 for the relief of unemployment. The sums provided are distributed to Local Authorities to meet part of their expenditure on schemes approved by a Committee sitting under the Chairmanship of Lord St. Davids. The provision for 1922/23 covers the balance of grants on schemes approved, but not completed, before the 31st March, 1922. The whole of the expenditure in 1922/23 is thus in respect of existing commitments; but the Provisional Estimate of £300,000 has been increased to £630,000. In the circumstances we make no recommendation.

---

## CONCLUDING REMARKS.

Before concluding this, our Second Interim Report, we wish to adjust certain figures in the Estimates dealt with in our First Interim Report. Our consideration in three cases was based upon revised Estimates which were submitted to us, and not upon the July Provisional Estimates upon which your original remit was made.

These adjustments, which are in the Ministry of Pensions, University Grants, and in Old-Age Pensions, amount in all to a reduction of £2,171,875; but on the other hand, provisions made in November last in respect of Unemployment have resulted in an increased charge of £1,000,000—

| | £ | £ |
|---|---|---|
| Which leaves a net reduction of... | 1,171,875 | |
| To be added to the ... ... resulting from the recommendations in our First Interim Report, | 70,300,000 | |
| Which gives a total of ... ... ... ... | | 71,471,875 |
| In this Report we recommend the following reductions :— | | |
| Trade Group ... ... ... | 538,000 | |
| Export Credits ... ... | 500,000 | |
| Agricultural Group ... ... | 855,000 | |
| Police and Prisons ... ... | 1,595,000 | |
| General Group (24 Votes) ... | 102,000 | |
| | | 3,590,000 |
| Total reductions of First and Second Interim Reports ... ... ... ... | | 75,061,875 |

The present position, therefore, is that we have made recommendations to you of £75,061,875 towards the £100,000,000 which you asked us to find.

There remain 60 Votes, representing £100,000,000 of expenditure, and various other matters which are outstanding. With

these we will deal in our next and final Report. In the meantime, however, we would point out that so far we have not been informed as to what extent the Government intend—

(*a*) To adjust the Navy Estimates, as a result of the Washington Conference.

(*b*) To reconsider the proposed expenditure on Oil Stocks and Oil Storage.

(*c*) To review the permanent military garrisons abroad.

To these three matters we have drawn attention in our First Report.

We are of opinion that further large savings might be obtained under these three heads. They involve questions of high policy, and we should be glad to have guidance thereon from the Government, as we hope to deal with them in our final Report, which we propose to submit before the end of February.

We are, Sir,
Your obedient Servants,

(Signed) ERIC GEDDES (*Chairman*).
INCHCAPE.
FARINGDON.
J. P. MACLAY.
W. GUY GRANET.

(Signed) G. A. STEEL (*Secretary*).
*January* 28, 1922.

(35757) Wt. 2500 2/22 H. St. G. 36.

COMMITTEE ON NATIONAL EXPENDITURE.

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# THIRD REPORT

OF

# COMMITTEE

ON

# NATIONAL EXPENDITURE.

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**Presented to Parliament by Command of His Majesty.**

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## TERMS OF REFERENCE.

To make recommendations to the Chancellor of the Exchequer for effecting forthwith all possible reductions in the National Expenditure on Supply Services, having regard especially to the present and prospective position of the Revenue. In so far as questions of policy are involved in the expenditure under discussion, these will remain for the exclusive consideration of the Cabinet; but it will be open to the Committee to revise the expenditure and to indicate the economies which might be effected if particular policies were either adopted, abandoned or modified.

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# THIRD REPORT OF THE COMMITTEE ON NATIONAL EXPENDITURE.

---

To the Right Hon. Sir Robert S. Horne,
G.B.E., K.C., M.P.,
Chancellor of the Exchequer.

Sir,

We beg to submit our Third Report, in which we deal with the 60 Votes which were outstanding after our Second Interim Report, and which account for an expenditure of approximately £102,000,000.

The Provisional Estimates for Ordinary Supply Services for 1922/23 amounted to £528,000,000, showing a reduction effected by the Departments themselves of £75,000,000 upon the original Estimates for 1921/22.

It is these Estimates amounting to £528,000,000 which we have been examining, and we have dealt with them as follows :—

| | £ |
|---|---|
| In our First Interim Report we dealt with Services amounting to ... ... ... | 390,000,000* |
| In our Second Interim Report we dealt with Services amounting to ... ... ... | 18,000,000 |
| Irish Votes which we are not examining amount to ... ... ... ... ... | 17,500,000 |
| In this our Third Report we have dealt with Services amounting to ... ... ... | 102,500,000† |
| | 528,000,000 |

In this Third Report, we have also dealt with 5 Votes in respect of "Aftermath of the War Services," which come under the heading of "Special Expenditure," and we have reported on one special subject which has been prominently before us throughout our review of Government Expenditure, viz., "Pay."

---

* Including Middle East expenditure further dealt with in this report.
† Excluding Army and Air Force expenditure in the Middle East.

We have, as before, divided this Report into various parts according to the subject matter of the Votes under consideration, as follows, full details being given in the index.


| | |
|---|---|
| Colonial Office, Colonial Services and Middle East Group ... ... ... ... | Part VIII. |
| Legal Services Group ... ... ... ... | Part IX. |
| Revenue Departments Group ... ... | Part X. |
| Houses of Parliament and certain Civil Departments Group ... ... ... | Part XI. |
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| Art and Science Group ... ... ... | Part XIII. |
| Foreign Office, Diplomatic and Consular Services Group ... ... ... ... | Part XIV. |
| Stationery Office and Registrar General Group ... ... ... ... ... | Part XV. |
| Miscellaneous Group ... ... ... ... | Part XVI. |
| Aftermath of the War Services Group ... | Part XVII. |
| Pay ... ... ... ... ... ... ... | Part XVIII. |


We now proceed to deal seriatim with the Groups as set out above.

## PART VIII.

### COLONIAL AND MIDDLE-EASTERN SERVICES.

The Provisional Estimates submitted to the Committee of the cost of these Services in 1922/23 amount to £15,128,532 as compared with an expenditure of £841,364 upon the Services existing in 1913/14.

| | 1913–14 Audited Expenditure. | 1921–22 Estimates. | 1922–23 Provisional Estimates. |
|---|---|---|---|
| | £ | £ | £ |
| Colonial Office ... ... ... | 60,169 | 1,184,104 | 372,764 |
| Colonial Services ... ... ... | 781,195 | 2,067,027 | 1,752,068 |
| Middle-Eastern Services... ... | Non-existent | 27,217,000 | 13,003,700 |
| Total ... ... | 841,364 | 30,468,131 | 15,128,532 |

We proceed to deal with these Services seriatim.

## Chapter I.

### COLONIAL OFFICE ESTIMATES.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 60,169 |
| 1921/22 Estimates ... ... ... | 1,184,104 |
| 1922/23 Provisional Estimates ... | 372,764 |

1. The Estimates for 1921/22 include a Supplementary Estimate of £330,000 voted last autumn for the provision of Free Passages in connection with the Overseas Settlement Scheme, making the provision on that account in the current year £980,000. Since the Provisional Estimates were submitted the Colonial Office have furnished a revised Estimate for 1922/23 of £928,866, the large increase over the Provisional Estimate being due mainly to additional provision for the Overseas Settlement Scheme.

2. *Overseas Settlement*

In 1919 the Government decided that approved ex-Service men and women who wished to settle within the Empire Overseas should be given free Third Class Passages for themselves and their Dependants. Under the arrangements finally made applications were required to be lodged before the 31st December, 1921, and passages taken before the 31st December, 1922.

This Scheme was part of the general arrangements for affording ex-Service men and women opportunities for settling in civil life after demobilisation. The total expenditure up to the 31st March, 1921 (including certain expenditure for assisting the emigration of non-ex-Service men and women out of employment) was £750,000, and the provision for 1921/22, including the administrative expenditure, is £1,037,675.

The provision for 1922/23 is asked for to complete the Scheme. We are informed that £200,000 included in the Provisional Estimate for the cost of Free Passages was a tentative Estimate only and that it is now considered by the Colonial Office that, in view of the large number of applicants whose names are on the books of the Overseas Settlement Office, £750,000 may be required.

The Treasury are disposed to think that this is an over estimate and that a provision of £500,000 for Free Passages should be sufficient to fufil the obligations of the Government under the Scheme.

3. *Empire Settlement.*

We understand that proposals have been laid by the Secretary of State for the Colonies before the Government, involving a further expenditure amounting in 1922/23 to £1,245,000, for initiating a general measure of Empire Settlement which is intended to carry out and in some respects to extend a Scheme agreed in principle with the Dominion Prime Ministers last summer. We understand that this Scheme was accepted by the Government "on the understanding that caution should be exercised in regard to any immediate expenditure." As no provision is made in the Estimates before us for this purpose, we offer no observations beyond pointing out that the question for decision would appear to be how much the State can afford at the present time, for an object which is, in itself, probably desirable. The Scheme agreed in 1921 was roughly to be financed as to 50 per cent. by this country and 50 per cent. by the Dominions. We are informed that the only sum so far voted by the Dominions is £160,000 by the Commonwealth of Australia, which is the measure of any immediate Exchequer liability.

4. *Administrative Expenditure.*

The staff of the Department was 214 on the 1st August, 1914. The staff proposed for the 1st April, 1922, is 413. The increased number includes a staff of 98 employed in the Overseas Settlement Office and the staff of 20 of the Middle-Eastern Department now transferred to this Vote. Apart from these new Services the staff of the Colonial Office proper has increased from 206 to 295. This increase is accounted for by the greater volume of work due to taking over the former German Colonies and to the development

of the Colonies and Protectorates, particularly in East Africa, and we are unable to criticise it.

## CONCLUSION.

**As a result of our consideration, we are of opinion that the Net Estimate of the Colonial Office should be fixed at £678,866, instead of £928,866 in the revised Estimate, being an increase of £306,102 over the Provisional Estimate.**

---

## Chapter II.

### COLONIAL SERVICES.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 781,195 |
| 1921/22 Estimates ... ... ... | 2,067,027 |
| 1922/23 Provisional Estimates ... | 1,752,068 |

1. The increase over 1913/14 is due to the requirements of Tanganyika territory (formerly German East Africa) and to provision for development loans to Uganda and Rhodesia. Since the Provisional Estimates for 1922/23 were submitted the Colonial Office have furnished a revised Estimate of £1,779,120, which is made up as follows :—

| *Grants-in-Aid*— | £ |
|---|---|
| Cyprus ... ... ... ... | 50,000 |
| Tanganyika ... ... ... ... | 800,000 |
| Wei-hai-Wei ... ... ... ... | 2,300 |
| Nyasaland ... ... ... ... | 86,050 |
| Uganda ... ... ... ... | 150,000 |
| Somaliland ... ... ... ... | 72,080 |
| St. Helena ... ... ... ... | 3,000 |
| Rhodesia ... ... ... ... | 150,000 |
| Niger Company Purchase Annuity ... | 44,475 |
| Uganda Railway Acts ... ... ... | 319,112 |
| Salaries, Passage Expenses, &c., of Governors ... ... ... ... | 13,875 |
| West Indian Agricultural College ... | 5,000 |
| Western Pacific High Commission ... | 14,405 |
| South Africa High Commission, &c. ... | 14,200 |
| Rhodesia Extraordinary War Expenditure | 13,982 |
| Boundary Commissions ... ... ... | 5,000 |
| Telegrams on Colonial Service ... ... | 22,000 |
| Imperial Institute ... ... ... ... | 10,000 |
| Miscellaneous ... ... ... ... | 3,641 |
| | 1,779,120 |

We comment upon the following items :—

2. *Cyprus* : Grant-in-Aid, £50,000.

In 1878 Great Britain undertook to pay to Turkey an annual sum subsequently calculated at £92,800 a year to compensate the Porte for the actual loss of its revenue from the Island, on the average of the five preceding years. This amount was charged in 1882 by Order-in-Council on the Consolidated Revenues of Cyprus. It has not, however, in fact, been paid to Turkey, but has been applied towards the service of the Turkish Guaranteed Loan of 1855, in respect of which Turkey has been in default. This arrangement appears to accord with the recognised principle that Territories which have formed part of the Turkish Dominions should continue to bear their due share of the Ottoman Debt.

Cyprus has not, however, in practice been required to bear this charge in full. Grants-in-Aid were given from time to time from the Imperial Exchequer of varying amounts, until in 1910 the British Government agreed to ask Parliament to vote in future a fixed annual grant of £50,000 a year so long as the obligation to provide the £92,800 continued.

In recent years Cyprus has had a substantial surplus of revenue over expenditure, and by the 31st March, 1920, had accumulated a Reserve Fund of about £200,000, of which about £80,000 has since been spent upon special purposes.

3. *Tanganyika* (*late German East Africa*) : Grant-in-Aid, £800,000.

A further proposal has now been put forward to increase the grant to £850,000.

This Territory suffered considerably from the war, and assistance from the British Exchequer has been necessary since 1920, when a grant of £330,000 was provided. In 1921/22 grants have been made of £164,000 to meet the realised deficit for 1920/21, and £750,000 by way of loan to cover a deficit on ordinary expenditure of £456,000 and to provide for capital expenditure and a working balance. The British Taxpayer has therefore made grants of £500,000 and a loan of £750,000.

For 1922/23 the Territory's Estimates show a deficit on ordinary expenditure of £324,000, and capital expenditure of £378,000 is proposed, making a total of £702,000 in excess of revenue, to meet which a further grant of £800,000 is now asked.

We are informed that the Customs revenue is estimated at £275,000 only, although the actual revenue for 1920/21 was £225,000 and the duties were increased in August, 1921, by about 50 per cent. No other increased taxation is proposed, although the Native Hut and Poll Taxes are said to work out at 1*s.* 9*d.* per head of the Native population only, as compared with 5*s.* 4*d.* per head in Kenya. It would seem possible, therefore, in due course to obtain an increased revenue.

In the circumstances, the Grant-in-Aid of £800,000 proposed by the Colonial appears to call for close scrutiny. It has been urged before us that capital expenditure in this Territory, as in other British Protectorates in East Africa, will materially promote their development, and that the provision of funds by the British Taxpayer would be a sound investment. We would, however, observe that the British Exchtquer has, in present circumstances, no surplus funds for investments of this nature. At the present time, the provision of Public Funds must necessarily be limited to urgent requirements, and the development of these countries ought, in our opinion, to be regulated mainly by the ability of the local Governments and private undertakings to raise funds independently. As in the case of this country, these Territories ought, we think, to deny themselves expenditure, even on laudable objects, until by rigid economy and taxation they have balanced their Budgets.

We recommend that the Grant-in-Aid to be provided for Tanganyika in 1922/23 should be limited to £600,000 to meet the deficit on ordinary expenditure which cannot be met by increased revenue and the most urgent capital requirements, and that it should take the form of a loan and not of a free grant.

4. *Wei-hai-Wei* : Grant-in-Aid, £2,300.

We understand that in connection with the arrangements under discussion at Washington, it is proposed that this Territory should revert to China. Its surrender will effect savings on Naval and Military expenditure and Telegraph subsidies, as well as on this Vote. Pending the final ratification of the proposed arrangements, the Grant-in-Aid provided in these Estimates (£2,300) must stand.

5. *Nyasaland* : Grant-in-Aid, £86,050.

This loan grant is proposed to assist the Protectorate to meet payments arising under a guarantee in respect of interest and Sinking Fund given for reasons of policy in connection with the construction of the Trans-Zambesia Railway, a line under construction in Portuguese East Africa connecting the Nyasaland Railway system with the port of Beira. The guarantee payments are eventually repayable out of the profits of the Railway. It does not appear to be possible at the present time to reduce the assistance required.

6. *Uganda* : Grant-in-Aid, £15,000.

In 1920 the Government undertook to provide a loan of £1,000,000 at 5 per cent. for the development of the Protectorate over a period of five years. The loan is to be repaid out of the proceeds of a loan to be raised by Uganda on her own account as

soon as possible after the 31st March, 1925. In 1920 the Protectorate was barely self-supporting, and did not appear to be capable of providing for development works out of its own revenue, or of raising a loan independently for the purpose. Since that time, owing to savings on current expenditure and growth of revenue, the Protectorate has been able to accumulate a surplus estimated to amount on the 31st December, 1921, to £418,000. On the other hand, Uganda has a large liability to the Imperial Government for her share of the war expenditure in East Africa, which may amount to about £800,000, but no definite arrangements have yet been made for the discharge of this obligation. The Uganda Government has agreed to reduce the loan instalment due from the British Exchequer under the 1920 arrangement, to £150,000 next year, on the understanding that the total sum of £1,000,000 will eventually be provided. We consider, however, that in view of the strength of the Protectorate's financial position, if the Exchequer is called upon to provide capital for development purposes, arrangements should be made at the same time for the liquidation of the War expenditure liability.

7. *Somaliland* : Grant-in-Aid, £72,080.

A loan grant of £72,080 is proposed to meet the excess of administrative expenditure over local revenue. We are informed that it will be necessary to increase this grant by £85,000 to enable the Protectorate to discharge its liabilities to the Air Ministry for the balance of the cost of the operations against the Mullah in 1919/20.

The expenditure of the Protectorate for 1922/23 is estimated at £150,827 of which £70,938 is for Military and Police. It is considered by the Colonial Office that, owing to the circumstances of the country and the small Military force with which it is held, it is impossible to raise additional taxation. Prior to the War the occupation was limited to the coast, but it is not now considered that coastal concentration would lead to economy. There does not appear to be any immediate prospect that the Protectorate can be made self-supporting. So long as the British occupation is continued it is probable that substantial contributions will have to be made by the British Taxpayer.

8. *Rhodesia* : Grant-in-Aid, £150,000.

The provision of £150,000 is the second instalment of a loan which the Government has undertaken to provide to meet the urgent capital requirements of the territory pending the establishment of self-Government. We understand that arrangements are now being made to bring self-Government into early operation, and that the advances now being made by the British Exchequer will be repaid by the new administration out of loans to be raised by them in the open market.

9. *Niger Company Purchase Annuity* : £44,475.

This amount is an instalment of the annuity expiring in 1928, required to repay with interest at 3 per cent. per annum, the sum of £820,000 advanced by the National Debt Commissioners in 1900 for the purchase of the rights and properties of the Royal Niger Company under the Royal Niger Company Act, 1899.

It was provided by that Act that, until the advances made thereunder had been repaid to the Exchequer with interest, the excess of the receipts from the territories administered by the company over the expenses of administration should be paid into the Exchequer, save so far as those sums might with Treasury approval be applied towards the development of the Territories. No payments on account of interest or repayment of capital have in fact been made to the British Exchequer. Prior to 1918 Nigeria received assistance from the Exchequer. We understand that in recent years there has been a substantial surplus of revenue over expenditure and that the surplus assets of the Colony amounted on the 31st December, 1920, to £3,296,789, more than half of which came from recoupment from loan funds of expenditure on capital works previously charged to general revenue. It would appear to be a matter for enquiry whether, in these circumstances, the recent Exchequer Grants-in-Aid should not have been refunded.

The Colony raised loans, for development purposes, of £6,200,000 in 1919, and £3,000,000 in 1921. Owing to the depression of trade there has been a severe drop of revenue and the Colony is now faced with a deficit.

In the circumstances the Colony would not appear to be in a position to make repayment, at the present time, of the sums due to the Exchequer under the Act of 1899, but we recommend that as soon as the financial conditions improve, definite arrangements should be made for the discharge of the liability.

10. *Uganda Railway Annuities* : £319,112.

This amount represents instalments of the annuities terminating in 1925 required to pay advances amounting to £5,502,000, made by the National Debt Commissioners for the construction of the Uganda Railway. In this case it was part of the original arrangements that the surplus receipts of the railway should be paid into the Exchequer until the debt was discharged. The Railway has been administered by the Government of the British East Africa Protectorate, now Kenya Colony and Protectorate, the finances of which, including the Railway receipts, have not been hitherto more than self-supporting. The Colony has recently raised a loan of £5,000,000 for development purposes. It also owes the Imperial Government sums estimated to exceed £3,000,000 in respect of war expenditure in East Africa, and arrangements have been made to liquidate this debt.

We are informed that in these circumstances the Treasury have agreed that for the present the Railway revenue should continue

to be applied towards the general expenses of the Colony. We make no recommendation, but we suggest that the fact that the Railway is an asset of the British Taxpayer should not be lost sight of.

## CONCLUSIONS.

**As a result of our consideration, we are of opinion:—**

**(1.) That the assistance which can be given by the British Exchequer to our African Dependencies must be limited to the most urgent requirements which those Dependencies can show themselves to be unable to meet out of their own resources.**

**(2.) That the Estimates for Colonial Services for 1922/23 should be reduced from £1,752,068 to £1,664,120.**

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## Chapter III.

### MIDDLE EASTERN SERVICES.

| | £ |
|---|---|
| 1913/14 no Vote ... ... ... | ... |
| 1921/22 Revised Estimate ... ... | 27,217,000 |
| 1922/23 Provisional Estimate ... | 13,003,700 |

1. It is now considered probable that the provision required for 1922/23 will not exceed £10,500,000. This compares with an expenditure of approximately £36,000,000 incurred in 1920/21.

The provision in this Estimate results from the acceptance by the British Government of responsibility for the Mandates for Iraq and Palestine, and the policy of establishing a national home for the Jewish Nation in the latter country under the Balfour Declaration of 1917. The Colonial Secretary has given us full explanations of the present position in these countries and the vigorous steps which he has taken to reduce the expenditure consistently with the fulfilment of the obligations undertaken by the Government.

2. *Iraq.*

The expenditure included in the Provisional Estimate was as follows :—

| | £ |
|---|---|
| Army ... ... ... ... ... | 5,700,000 |
| Army (Arrears and Contingencies) ... | 1,000,000 |
| Air Force ... ... ... ... | 1,900,000 |
| Native Levies ... ... ... | 300,000 |
| Railways ... ... ... ... | 300,000 |
| | 9,200,000 |

The Colonial Secretary explained to us the policy under which, in substitution for a British Administration supported by large British Forces, an Arab State is being established, in which order will be maintained by Native Levies, with the assistance of the Air Force. Thirty-nine out of the fifty battalions which were in the country a year ago, have now been withdrawn, and further reductions are proceeding. As a result of this policy and the accession of King Feisal ,the country is more tranquil than before. The object in view is the establishment of a Native State on a firm footing, with a consequent relief of the British burden. It is now considered that the British expenditure in 1922/23 in this country should not be more than £8,000,000 or £8,500,000, and if all goes well the cost may be further reduced, falling to £5,000,000 or £6,000,000 in the succeeding year. It is necessary, however, to point out that, so long as the British Government remains responsible for the defence of Iraq against external aggresion and for the maintenance of internal order, a serious indirect liability exsts whch might involve very large expenditure should difficulties arise.

As regards the provision of £300,000 for railways, we are informed that the railway system was constructed at the cost of the Exchequer, and is a British war asset. It is now being valued on a commercial basis with a view to its sale. In the meantime, it is being worked by the Civil Administration, and some expenditure is necessary to provide for rolling-stock and necessary capital works to prevent deterioration. If, as is now hoped, an early sale can be effected, a proportion only of the proposed provision will be required for this purpose.

3. *Palestine.*

The expenditure included in the Provisional Estimate was as follows :—

| | £ |
|---|---|
| Army ... ... ... ... ... | 3,300,000 |
| Air Force ... ... ... ... | 162,000 |
| Trans-Jordania Grant-in-Aid ... | 130,000 |

The problem here is the maintenance of internal order in a comparatively small country, and the difficulties which have arisen are due to the attitude of the Arab population towards the Zionist policy adopted by the Government. The Colonial Secretary informed us that, in his opinion, the position is one which requires police rather than troops. The cost of maintaining a British garrison, although reduced from £7,000,000 in 1920 to £3,500,000 in 1921 for about 5,000 troops, would appear to be prohibitive for a small country. The Colonial Secretary now proposes to relieve the War Office of responsibility and to maintain order by means of less expensive Native troops, with a European Gendarmerie and local police. In his view, the cost of these forces may not exceed £2,000,000 in 1922/23, and may be reduced in future years by further economy and the growth of local revenue.

4. *Arabian Subsidies.*

A provision of £156,000 is proposed for subsidies to certain Arab Rulers on condition of their maintaining peace and with a view to keeping open access to the Moslem Holy Places. These objects are considered to be essential British interests, and the cost of the subsidies is much less than would be involved by direct British intervention in these regions.

## CONCLUSIONS.

**Our conclusions may be summarised as follows:—**

**(1.) So long as the existing British responsibilities in the Middle East continue, we cannot suggest any further modification of the arrangements which are being carried into effect by the Colonial Secretary.**

**(2.) On this basis it would appear to be possible to reduce the Estimates for Middle Eastern Services for 1922/23 to approximately £10,500,000, as compared with £13,003,700 in the Provisional Estimates, subject to any further economies which may result from the successful development of the Colonial Secretary's policy.**

**We desire to add that in the reductions recommended in our First Interim Report on the Army and Air Force Estimates no account was taken of any economies which the Colonial Secretary might be able to effect in Middle Eastern expenditure subsequently to the preparation of the Provisional Estimates.**

## PART IX.—LEGAL SERVICES.


| | |
|---|---|
| Law Charges (England) ... | Class III (1). |
| Miscellaneous Legal Expenses | Class III (2). |
| Supreme Court of Judicature ... | Class III (3). |
| Public Trustee ... ... ... | Class III (5). |
| County Courts ... ... ... | Class III (6). |
| Law Charges and Courts of Law (Scotland) ... ... ... | Class III (11). |
| Register House, Edinburgh ... | Class III (13). |


### Chapter I.

### LAW CHARGES (ENGLAND).

Class III (1).

| | £ |
|---|---|
| Audited Expediture, 1913/14 ... ... | 83,246 |
| Net Estimate, 1921/22 ... ... | 251,800 |
| Provisional Net Estimate, 1922/23 ... | 241,657 |

The Provisional Estimate has since been reduced to £240,528.

Number of persons employed—

| | |
|---|---|
| August 1, 1914 ... ... ... ... | 106 |
| April 1, 1922 (estimated) ... ... ... | 250 |

This Vote largely represents the expenditure in connection with the Law Officers, Public Prosecutor and Treasury Solicitor, and the increase of the staff is almost entirely accounted for by the latter Department. The number of cases submitted to the Treasury Solicitor in 1914 amounted to 3,730, while in 1920/21 they amounted to 7,747. The number of cases submitted to the Law Courts Branch in 1913/14 was 330, and in 1920/21, 1,333. The number of cases enquired into by the King's Proctor in 1913/14 was 894, and in 1920/21, 2,698, and the number of interventions in 1913/14 was 22, as compared with 141 in 1920/21.

The increase is largely due to cases arising out of the War and the increasing complexity of Government business, and, judged from that standpoint, the increase in the Estimates would appear to be justified.

There is one point, however, on which we think some economy could be realised, viz., the expenditure on Divorce Interventions by the King's Proctor. This now amounts to £20,000, as compared with £7,000 before the War. We suggest that a provision of £12,000 for this Service should be sufficient.

The Estimate would then stand at £232,528—a saving, as compared with the Provisional Estimate, of £9,129.

## Chapter II.

### MISCELLANEOUS LEGAL EXPENSES.

CLASS III (2).

| | £ |
|---|---|
| Audited Expenditure, 1913/14 ... ... | 48,572 |
| Net Estimate, 1921/22 ... ... ... | 64,463 |
| Provisional Net Estimate, 1922/23 ... | 63,062 |

The main headings of expenditure for 1922/23 are :—

| | |
|---|---|
| Sheriffs' Expenses ... ... ... | 25,600 |
| Railway and Canal Commission... ... | 7,333 |
| Wreck Enquiries ... ... ... ... | 3,000 |
| Grants to the Law Societies towards the expenses of carrying out their Statutory duties ... ... ... | 1,900 |
| Official Arbitrators under Acquisition of Land Act ... ... ... ... | 10,100 |
| War Compensation Court ... ... | 14,129 |

Apart from such reductions as will follow from the settlement in Ireland, no reduction is considered possible for 1922/23, especially as the last two items are new duties and account for £24,200. As there is only an increase of £14,500 since 1913/14 it is clear that reductions have occurred elsewhere. The two new functions added appear to be necessary, but we recommend that opportunity should be taken to reduce the expenditure upon the official arbitrators as and when the work declines. The Provisional Estimate has since been reduced to £46,984—a saving of £16,078.

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## Chapter III.

### SUPREME COURT OF JUDICATURE.

CLASS III (3).

The expenditure under this Vote compares as follows :—

| — | Audited Expenditure 1913/14. | Estimate 1921/22. | Provisional Estimate 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Gross .. ... ... ... ... | 374,835 | 617,588 | 523,550 |
| Appropriations-in-Aid ... ... | 52,123 | 62,050 | 68,180 |
| Net ... ... ... | 322,712 | 555,538 | 455,370 |

The Provisional Estimate has since been reduced to £429,680.

1. The Vote provides for the salaries and travelling and incidental expenses of the Officers of the Lord Chancellor and of the various Departments of the Supreme Court, exclusive of the salaries of the Judges borne on the Consolidated Fund. It also bears war expenditure in respect of Pensions Appeals Tribunals under the War Pensions Act, 1921, estimated to amount to £66,450 in 1922/23.

The numbers of staff compare as follows :—

| | August 1, 1914. | August 1, 1921. | April 1, 1922. (Estimated.) |
|---|---|---|---|
| Permanent ... ... ... | 939 | 793 | 950 |
| Temporary ... ... ... | ... | 173 | |
| | | 966 | |

The main increases of staff at the present time are in the Probate Registry, owing to the increase of Probate and Divorce cases, and in the Poor Persons Department, owing to new rules in regard to proceedings by or against Poor Persons.

2. The increase in the amount of work required to be done by the Courts is illustrated by the following figures of writs and originating summonses issued by the Central Office :—

| | |
|---|---|
| 1913 ... ... ... ... ... | 44,410 |
| 1920 ... ... ... ... ... | 56,000 |
| 1921 ... ... ... ... ... | 68,473 |

For the District Registries the figures are as follows :—

| | |
|---|---|
| 1913 ... ... ... ... ... | 26,455 |
| 1920 ... ... ... ... ... | 29,474 |
| 1921 ... ... ... ... | ...Not yet available. |

The actions disposed of compare as follows :—

| | 1913. | 1921. |
|---|---|---|
| King's Bench Division ... | 2,592 | 3,670 |
| Divorce Court Suits ... | 1,193 | 4,288 |

3. Besides the receipts and expenditure shown in this Vote, there are extra receipts taken by means of stamps, and further expenditure in connection with the administration of justice is also borne on other Votes. An annual account is presented to Parliament under the Supreme Court of Judicature Act, 1875, showing the receipts and expenditure in respect of the High Court of Justice, the Court of Appeal, and the Court of Criminal Appeal, which compares as follows for the under-mentioned years :—

| | 1913/14. £ | 1920/21. £ |
|---|---|---|
| Receipts ... ... ... | 489,778 | 596,207 |
| Expenditure ... ... | 653,313 | 949,381 |

4. It is considered, however, that the annexed Account which has been furnished to us for 1920/21 will give a more complete picture of the financial position as regards the administration of justice. On the basis of this Account the total figures for 1920/21 would be as follows :—

| | £ |
|---|---|
| Receipts ... ... ... ... ... | 639,094 |
| Expenditure ... ... ... ... | 1,002,369 |

We are informed that when the Schedule of Court Fees was originally fixed in 1884 the principle was accepted that the total receipts from fees should be sufficient to cover the total expenses of the Court, excluding the salaries and pensions of the Judges, amounting in 1920/21 to £208,769. It will be seen that the present receipts fall far short of this basis. We recognise that it would not be justifiable to make the cost of justice unduly expensive to the litigant, and we do not consider that the cost of criminal justice (£58,291 in 1920/21) or of Pensions Appeal Tribunals (£39,714 in 1920/21) should be charged to fees taken for civil proceedings; but we see no reason why the remaining expenditure should not be met by fees. We understand that some increase of fees was imposed in July, 1920, and that a Committee set up by the Lord Chancellor has recently recommended a revised scale, which has been adopted, and is estimated to increase the receipts by about £70,000 a year.

We are informed that the organisation and staffing of the various Departments of the Supreme Court have been, or are now being, investigated by a Committee, on which the Treasury is represented. On the recommendation of the Committee, economies amounting to about £30,000 per annum in salaries, excluding bonus, have been effected, and it is expected that some further reductions may be obtained in the Principal Probate Registry, which is now under investigation. In these circumstances, and in view of the figures of work given above, we do not make any recommendation on this head.

5. Considerable economy might, however, be secured if the District Registrarships of all the Divisions of the High Court in one particular district were concentrated in the hands of the County Court Registrar where that officer is a full time pensionable Civil Servant. The County Court Registrars at present frequently have High Court jurisdiction, with the exception of Probate, but for Probate work a separate Registrar is at present always appointed by the President of the Probate Division, the other appointments being in the hands of the Lord Chancellor.

District Probate Registries cost at present nearly £70,000 a year in staff alone, and the Probate Registrars are also in receipt of additional remuneration by way of fees for " agency business." It is suggested that the posts of District Probate Registrar should be combined with the other Registrarships, in which case a very considerable proportion of these salaries could be saved to the State.

6. In view of the need for economy we recommend that further consideration should be given to the omission from Circuit of Towns, at which there is little or no business at Assizes. In certain of the towns in question there is no longer a gaol, and persons have to be fetched at considerable expense from the nearest gaol for trial and taken back again. The reduction would also result in a substantial saving of Judges' time and expenses. We understand that the Lord Chancellor fully concurs in the desirability of reform in this direction.

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TABLE of Expenditure and Receipts in connection with the Supreme Court of Judicature 1920/21.

| | Expenditure. £ | Receipts. £ |
|---|---|---|
| 1. Salaries, Travelling, Scrivenery, &c. (excluding the Judges)— | | |
| Official Referees ... ... | 8,048 | |
| Central Office ... ... ... | 68,934 | |
| Taxing Office ... ... ... | 28,541 | |
| Chancery Chambers ... ... | 56,175 | |
| Chancery Registrars ... ... | 31,794 | |
| Principal Probate Registry ... | 79,290 | |
| Admiralty Registry ... ... | 15,885 | |
| Lunacy Masters ... ... | 19,110 | |
| Lunacy Visitors ... ... | 9,496 | |
| Pay Office ... ... ... | 34,430 | |
| Official Solicitor's Office ... | 8,594 | |
| Royal Courts of Justice Staff (Messengers, &c.) ... ... | 40,325 | |
| District Registrars ... ... | 21,420 | |
| District Probate Registries ... | 89,435 | |
| | £511,477 | 548,954 |
| 2. Bankruptcy Departments ... | 26,030 | 19,976 |
| 3. Cost of Criminal Justice ... ... | 58,291 | 401 |
| 4. Pensions Appeal Tribunals ... | 39,714 | ... |
| 5. Salaries of Judges and their Officers (excluding the Lord Chancellor) ... ... | 183,238 | ... |
| 6. Lord Chancellor's Office and Crown Office ... ... | 14,776 | 22,274 |
| 7. Judges' Pensions (excluding Lord Chancellor) and Pensions of officers, rent, rates, &c. ... | 174,663 | ... |
| 8. Interest on Suitors' money taken over, and other receipts ... | ... | 47,489 |
| | £1,002,369 | £639,094 |

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## Chapter IV.

## PUBLIC TRUSTEE.

### Class III (5).

| | Gross Estimates. | Receipts. | Surplus Receipts payable to Exchequer. |
|---|---|---|---|
| | £ | £ | £ |
| 1913–14 Audited Expenditure | 40,281 | 55,284 | 15,003 |
| 1921–22 Estimate ... ... | 425,026 | 525,016 | 99,990 |
| 1922–23 Provisional Estimate | 391,092 | 434,937 | 43,845 |

| | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| Numbers of Staff— | | | |
| (*a*) Permanent ... | — | 675 | 730 |
| (*b*) Temporary ... | 411 | 669 | 630 |
| Total ... | 411 | 1,344 | 1,360 |

This Vote comprises the two branches of work at the Public Trustee Office :—

1. Public Trustee Work proper ;
2. Work as " Custodian of Enemy Property."

Since 1917, the work of the Public Trustee proper has been conducted at a loss, which has been recouped out of fees in respect of " Custodian of Enemy Property " work, which has shown a substantial surplus.

Taking the Public Trustee work alone, we find the following comparative results :—

| | 1921/22 Estimate. | 1922/23 (Provisional Estimate). |
|---|---|---|
| | £ | £ |
| Expenditure ... ... ... ... | 352,000 | 364,000 |
| Receipts from Fees, &c. ... ... | 282,000 | 303,000 |
| Deficit ... ... | 70,000 | 61,000 |

Taking the work as a whole, *i.e.*, including " Custodian of Enemy Property," it will be seen from the table at the head of this Report that the fees from Enemy Property work, after making good the deficit of £70,000 (in 1921/22) and £61,000

(estimated for 1922/23), on the work of the Public Trustee proper, still provide to the Exchequer surpluses of £99,990 in 1921/22 and £43,845 estimated in 1922/23.

Although, hitherto, by means of this recoupment, the Public Trustee work proper has not shown a deficit, we are of opinion that it is an unsatisfactory arrangement which conceals the fact that the Public Trustee work proper is being conducted at a loss, viz., of £70,000 (in 1921/22) and of £61,000 (estimated for 1922/23).

If the position in 1922/23 were really going to be as serious as the Provisional Estimate suggests, we should have considered recommending the abolition of the Department, as we deprecate a State subsidy to a Department which renders legal services to private individuals.

The position, however, is materially altered by the revised Estimate which the Public Trustee has now furnished.

Instead of anticipating a deficit on Public Trustee work proper of £70,000 for 1921/22, he is of opinion that the deficit will only be £50,000.

As regards 1922/23, instead of anticipating a deficit of £61,000 he has informed us that he is reasonably confident that, in the absence of unforeseen difficulties, he can eliminate the deficit by a reduction of expenditure, provided there is a reasonable intake of new business. At the same time, he is strongly of opinion that any increase of fees would only drive away business and would increase, rather than reduce the present deficit.

## CONCLUSION.

**In these circumstances, we recommend that the plan proposed by the Public Trustee should be given a trial for the year 1922/23 on the understanding that he will effect such reductions of expenditure as will enable him to attain and preserve the equilibrium which he anticipates of expenditure and revenue on his Public Trustee work proper.**

**The result of this recommendation would be that in 1922/23, instead of requiring £61,000 from Enemy Property fees to balance his Public Trustee work expenditure, no such extraneous assistance will be required.**

**The estimated surplus in the whole Department for 1922/23, instead of being only £43,845, as shown in the table at the head of this Report, would thus be increased by £61,000 to a total of £104,845, which sum should, in our opinion, be transferred to the Exchequer, and not held in a Suspense Account, which though convenient, has had the effect of obscuring the fact that this work has resulted in a charge on the Taxpayer.**

## Chapter V.

### COUNTY COURTS.

CLASS III (6).

| —— | Gross. | Appropriations-in-Aid. | Net. |
|---|---|---|---|
| | £ | £ | £ |
| 1913–14 Audited Expenditure ... | 479,759 | 476,030 | 3,729 |
| 1921–22 Estimate ... ... ... | 678,636 | 300,000 | 378,636 |
| 1922–23 Provisional Estimate ... | 642,353 | 391,720 | 250,633 |

The Provisional Estimate for 1922/23 has now been reduced to £209,017—a decrease of £41,616.

1. The numbers of staff employed show the following comparison :—

| —— | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| Permanent— | | | |
| Headquarters ... ... | 34 | 34 | 33 |
| Ex-headquarters ... ... | 13 | 24 | 26 |
| Temporary— | | | |
| Ex-headquarters only ... | 3,198 | 2,591 | 2,574 |
| Total ... ... | 3,245 | 2,649 | 2,633 |

2. For many years the Exchequer has borne the cost of Court buildings and the salaries and pensions of the Judges, but these are not included in this Vote. Before the war the remaining expenses of the County Courts were, roughly speaking, balanced by the fees received. It has been explained to us that this state of equilibrium was fortuitous and we have found, in our examination, that the balance has now been altogether upset as the result of the war, and the present position of the County Courts, both as regards finance and staffing, is felt by the Lord Chancellor to be most unsatisfactory.

3. The history of the County Courts during the war shows a progressive decline in remunerative business and, indeed, all the social conditions which obtained during the war, coupled with moratorium and emergency legislation, resulted in a practical cessation of that kind of litigation which used to prove remunerative to the County Courts. This state of affairs is

illustrated by the following figures showing, for various years, the revenue received in fees and fines :—

| | £ |
|---|---|
| 1909 ... ... ... ... ... | 511,000 |
| 1913 ... ... ... ... ... | 471,000 |
| 1914 ... ... ... ... ... | 373,000 |
| 1918 ... ... ... ... ... | 152,000 |

We are informed there are already signs of a revival of litigation in the County Courts, but even so the present fees would fail to meet current expenditure.

For the year 1921/22 the income has exceeded estimate and will be £400,000, as against an actual expenditure of £678,000—a deficit of £278,000.

In addition to this unsatisfactory financial position, we are informed that the method and scale of the staffing of the County Courts demands immediate revision if efficiency, which will result in economy, is to be secured.

There are only two ways of redressing the balance between the revenue of the Courts and their expenditure. They are : (1) by an increase of fees, and (2) by a reorganisation of the staff.

*4. Increase of Fees.*

We understand that, at the present moment, a Committee appointed by the Lord Chancellor is considering " what additions should, with due regard to the interest of litigants, be made to the fees charged, whether by increase of the existing fees or by the introduction of new ones." As this matter is at present under consideration we limit our remarks on this subject to an expression of hope that the Committee will be able to report very shortly.

It has been brought to our notice that no fees are levied in the County Courts in respect of Workmen's Compensation Act business previous to the Award.

We are informed that the work is arduous and increasing, and adds much to the business of the Courts—so much so that the Treasury has been compelled to allow a special series of fees to the Registrars, though unable to obtain anything from the litigants. The work is therefore a net loss to the Exchequer.

However justifiable this provision may have been, we are informed that now, in practically every instance a workman's Union takes up his case for him, and the difficulty of obtaining the small sum required to initiate an action is not felt. We doubt, therefore, if there is now any justification for imposing this extra burden on the Taxpayer.

The reasons for a change in the system are particularly strong in the present case, where the fees are not sufficient to balance the expenditure of the Courts. We think that the attention of the Committee, which is now considering the fees in County Courts, should be directed to this point, and that, if they so recommend, the necessary powers should be obtained.

*5. Reorganisation of Staff.*

As stated above, the remuneration and the conditions of employment of the staffs of the County Courts have been regarded as unsatisfactory for some time past. In 1920, a Committee under the Chairmanship of Mr. Rigby Swift, K.C., enquired into the whole matter and made important recommendations about :

(*a*) Remuneration and status of Registrars, Clerks and Bailiffs ;

(*b*) Closing down certain small Courts ; and

(*c*) Combining or grouping the office of Registrar in a number of Courts.

As regards (*b*) and (*c*), we understand that the Lord Chancellor has already taken steps and contemplates further economies in these directions. He has abolished 13 Court Districts, grouped 18 Courts and kept staff vacancies unfilled.

As regards the major recommendation of Mr. Rigby Swift's Committee, on the subject of remuneration and status of Registrars, Clerks and Bailiffs, we understand that any reform of this kind will be fully considered as soon as the whole administration of the County Courts and the Finance Staff have been transferred to the Department of the Lord Chancellor. This transfer will, we are told, be effected almost immediately. Without wishing to prejudge the consideration which will thus shortly be given to the remuneration and status of the staffs of the County Courts, we strongly recommend that anything which may be done to give " established " Civil Service status to Registrars and their staffs in the County Courts, with the object of increasing efficiency, should be accompanied by a reduction of the present numbers of staff and an equivalent saving upon the expenditure of the County Courts as a whole.

## CONCLUSION

**We recommend that steps should be taken at the earliest possible moment to restore the financial position and to reorganise the staffing of the County Courts, in view of the great dislocation caused by the war in a system which was, long before the war, archaic and unbusinesslike. It is impossible to recommend any reduction in the Estimate which would be other than a mere guess and might involve the necessity of a Supplementary Estimate. In these circumstances, we recommend that the Lord Chancellor be asked to present, before the end of the year, a Report to be laid before Parliament on the subject of the increase in the scale of fees and the " establishment " of the staff, in order that Parliament may be afforded an opportunity of ascertaining what progress shall then have been made in these directions.**

## Chapter VI.

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### LAW CHARGES AND COURTS OF LAW, SCOTLAND.

CLASS III (11).

| | £ |
|---|---|
| Audited Expenditure 1913/14 ... ... | 78,636 |
| Net Estimate 1921/22 ... ... ... | 177,098 |
| Provisional Net Estimate 1922/23 ... | 142,098 |

1. This Provisional Estimate has since been increased to £143,111—an increase of £1,013—owing to a reduction in the anticipated Appropriations-in-Aid. The reduction of expenditure in 1922/23 as compared with 1921/22 is :

£34,000, or 19 per cent. of the Net Vote.

2. The number of staff borne on this Vote is approximately the expenses of the Lord Advocate's Department, including the Procurators Fiscal and their staffs, the Courts of Session and Justiciary, and the Sheriff Courts and their staffs. It does not include the salaries of the Judges, Sheriffs and Sheriffs Substitute, amounting in all to £108,000 per annum, which are charged on the Consolidated Fund : but the Sheriffs receive "cost of living bonus" from the Vote.

The number of staff borne on this Vote is approximately the same as before the war, viz. :

| | August 1, 1914. | April 1, 1922, estimated. |
|---|---|---|
| Central ... ... ... | 118 | 120 |
| Provincial ... ... ... | 362 | 359 |

3. The following figures indicate the comparative amount of work done :

Court of Session figures are—

| | | | | | | |
|---|---|---|---|---|---|---|
| 1913. | Outer House. | Cases initiated | 1,559. | Final judgments | | 1,397. |
| | Inner House | „ „ | 680. | „ | „ | 441 |
| | Bill Chamber | „ „ | 136. | „ | „ | 109. |
| | Land Valuation | „ „ | 10. | | | |
| | Teinds | „ „ | 16. | | | |
| 1920. | Outer House. | Cases initiated | 2,058. | Final judgments | | 1,77 1 |
| | Inner House | „ „ | 663. | „ | „ | 47 5 |
| | Bill Chamber | „ „ | 74. | „ | „ | 5 5 |
| | Land Valuation | „ „ | 9. | | | |
| | Teinds | „ „ | 12. | | | |

Sheriff Courts' figures are :—

| | |
|---|---|
| 1913—Cases dealt with ... ... ... | 196,852 |
| 1920—Cases dealt with ... ... ... | 235,522 |

4. We are informed that the organisation and salaries of the Procurators Fiscal and Sheriff Clerks and their respective staffs have recently been examined by a Committee under the Chairmanship of Lord Blackburn, and as a result of the investigation

it is not considered that any reduction of the gross expenditure on these services can be effected.

5. It does not appear that any attempt has been made as regards Scotland to carry into effect the principle followed in England, that fees should be levied to defray all the expenses of the Court, excluding the salaries and pensions of the Judges. The estimated total receipts and gross expenditure, including allied services, compare as follows :—

| | 1913/14. | 1921/22. |
|---|---|---|
| Total Receipts ... ... | 64,500 | 86,000 |
| Total Gross Expenditure | 284,532 | 423,268 |

The estimated expenditure from the Consolidated Fund during the current year for the salaries and pensions of Judges, Sheriffs and Sheriffs Substitute is £123,393, being practically the same amount as in 1913/14.

6. We are informed that a Committee has been appointed to consider, amongst other things, whether or to what extent it is possible to meet from the proceeds of fees, the cost of the salaries of the Court of Session and the Accountant of Court's Office and the Sheriff Courts, excluding the salaries and pensions of the Judges, and to advise as to the increases which should be made.

**We recommend that steps should be taken at the earliest possible date, as in England, to increase the existing scale of fees to an amount sufficient to cover the expenditure on the same basis as in England.**

7. In connection with this Vote, our attention has been called to the heavy cost of the Judiciary in Scotland as compared with England. The following statement which has been furnished to us shows the comparative position :—

| England. | | Scotland. |
|---|---|---|
| Population ... ... | 37,885,000 | ... ... ... 4,882,000 |
| High Court Judges ... | 38 | ... ... ... 13 |
| Masters, Registrars, &c. ... ... ... | 39 | ... ... ... |
| County Court Judges | 56 | Sheriffs Principal 15 |
| | | Sheriffs Substitute 47 |

To each million of the population, therefore, *England* has 1 Judge, 1 Master and 1½ County Court Judges, *Scotland* has 2½ Judges and 13 Sheriffs.

So far as the High Court is concerned, the disparity is apparently partly due to the fact that the Masters, who perform minor judicial functions in the English Supreme Court have, broadly speaking, no counterpart in Scotland. It would appear that, if judicial functions in Scotland could be devolved upon officers similar to the Masters in the English Supreme Court, a number of Judgeships carrying salaries of £3,600 per annum, with substantial pension rights, could be replaced by posts costing appreciably less than half this amount.

As regards the Provincial Courts, the duties of Sheriffs Substitute comprise generally those of the English County Court Judges, with the addition of certain Criminal and Probate business. The wider jurisdiction of the Scottish Courts, and the fact that the population is more scattered, may to some extent account for the apparent disproportion of these officers.

The Sheriffs Principal receive salaries ranging from £700 to £2,000 per annum, together with 75 per cent. of the Civil Service Bonus. They appear to constitute a first Court of Appeal from the decisions of the Sheriffs Substitute. Their official duties do not occupy their whole time, and they are not restricted from private practice. The necessity for these officers appears to us to call for enquiry, but the matter, like the question of the devolution of Judicial business mentioned above, is one which requires expert consideration.

**We recommend that an independent Committee, comprising members conversant with Scottish Legal procedure, should be appointed to consider the possibility of reforms in Scottish Judicial arrangements on the lines above mentioned, with a view to economy.**

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## Chapter VII.

### REGISTER HOUSE, EDINBURGH.

CLASS III (13).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 42,428 |
| 1921/22 Estimate ... ... ... ... | 91,328 |
| 1922/23 Provisional Estimate ... ... | 79,685 |

The Provisional Estimate for 1922/23 has now been increased to £81,297, an increase of £1,612.

1. This Department receives fees which are taken in stamps and are paid direct to the Exchequer. They are therefore not shown as Appropriations-in-Aid. The fees from this source amounted—

| | £ |
|---|---|
| In 1913/14 to ... ... ... ... | 41,901 |
| In 1921/22 estimated ... ... ... | 49,000 |

The numbers of staff show the following comparison :—

| | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| Permanent ... ... ... | 246 | 253 | 253 |
| Temporary ... ... ... | | 62 | 62 |
| Total ... | 246 | 315 | 315 |

2. This Vote covers the following Departments :—

(*a*) *Record Department*, dealing with the preservation of records and legal documents, and searches.

(*b*) *Registry of Sasines, Hornings, &c.*, for registration of deeds affecting land, and for making searches.

(*c*) *Registry of Deeds*, for registration of personal deeds, such as wills and marriage contracts, and the issue of certified copies.

(*d*) *Chancery Department*, mainly recording and framing extracts of "Decrees of Service of Heirs."

It is only in the Registry of Sasines and the Registry of Deeds that there has been an increase of staff since 1914. The following table shows the comparison :—

The Registry of Sasines staff has increased by 37 per cent. to meet a 70 per cent. increase in writs and searches.

The Registry of Deeds staff has increased by 16 per cent. to meet a 16 per cent. increase in the deeds presented and a reduction in the hours of engrossers.

3. *Fees.*

A considerable revenue is earned by this Department in the form of stamps, as explained above, but on the present scale of fees the revenue is not sufficient to cover the expenditure of the Department. In 1921/22 the revenue is estimated at £49,000, whereas the expenditure is £91,328.

This revenue is derived roughly as follows :—

| | £ |
|---|---|
| From the Record Department ... ... | 1,700 |
| From the General Register of Sasines ... | 40,900 |
| From the Registry of Deeds ... ... | 5,800 |

We are of opinion that the fee revenue should cover the whole cost of the Department.

We understand that the fees in the Record Department and the Registry of Sasines have already been raised, and we recommend that an increase of fees for the Registry of Deeds should be dealt with by Lord Blackburn's Committee (which is considering the Court of Session fees) so as to produce a fee revenue which will cover the whole cost of the Department.

4. *Staff Economies.*

At the same time, we wish to endorse the recommendation of the Royal Commission on the Civil Service of 1915, that the Registries of Sasines and of Deeds should be amalgamated under a single Keeper, and that the two vacancies which at present exist for two Assistant Keepers in the Registry of Sasines should not be filled.

Further, we understand that the post of Deputy Clerk Register, who is the Head of the Register House, is now vacant. In the past, the Deputy Clerk Register carried out the additional duties of Registrar-General for Scotland. In 1920, however, in view of the Census work, a separate Registrar-General was appointed —consequently, the duties of the Deputy Clerk Register are limited to the work of the Register House. In view of this limitation and of the fact that there is now a vacancy, we suggest that a new appointment should not be made, but that the Keeper of the Registry of Sasines and the Registry of Deeds, combined as we have suggested above, should become the Head of the Register House.

## CONCLUSION.

**We are of opinion that the staff economies which we have suggested should be effected, with a saving of approximately £4,600. As against this saving of £4,600 there is an increase of £1,612, which, as shown at the outset of the Report, is the amount by which the revised Estimate put forward by the Department exceeds the Provisional Estimate of July last.**

**In addition to the saving on the cost of the Department, the Exchequer would benefit in 1922/23 considerably if the fee revenue were increased.**

# PART X.—REVENUE DEPARTMENTS.

## Chapter I.

### CUSTOMS AND EXCISE.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 2,419,072 |
| 1921/22 Net Estimate ... ... | 6,675,900 |
| 1922/23 Provisional Net Estimate ... | 5,554,000 |

1. When the Provisional Estimate for 1922/23 was submitted it was intimated that the staff was in process of re-organisation, and that a further estimate would be submitted. This has now been received, the revised figure being £5,451,000, a reduction of £103,000.

The numbers of staff employed compare as under :—

| | |
|---|---|
| August 1, 1914 ... ... ... ... | 10,802 |
| August 1, 1921 ... ... ... ... | 12,525 |
| April 1, 1922 (Estimate) ... ... | 12,314 |

The increase is mainly in temporary staff.

The Customs and Excise duties produced in—

| | £ |
|---|---|
| 1914/14 ... ... ... ... | 75,040,000 |
| 1921/22 (Estimate) ... ... | 323,000,000 |

2. *Headquarters Staff.*

This accounts for £398,000 in the 1922/23 estimates as compared with £128,150 in 1913/14. The present staff at Headquarters numbers 1,260.

Since the Provisional Estimate was made steps have been taken to enlarge the powers of Collectors and Surveyors in certain matters, thus reducing correspondence and enabling staff at Headquarters to be saved. We think this policy should be pursued so long as the Revenue is not prejudiced.

There are large numbers of Returns compiled at Headquarters for other Government Departments, the present reason in some cases not being apparent. It may well be that at the time a Return is originally called for the cost of production is fully justified; but there is grave danger of Returns becoming purely routine, and being continued without any practical result. We consider that the need for the whole of these Returns should be continually under review in relation to present-day cost and usefulness, and we understand that this is being done.

We have made enquiries as to the extent to which machines are used in the compilation of statistics. We understand that hitherto practically no machines have been used, but that tests are now being made, and we recommend that the use of machines in connection with the heavy statistical work in this Office should be persevered with as when introduced elsewhere material economies have resulted.

3. *Ex-Headquarters Staff. Customs and Excise Collections.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 1,704,930 |
| 1922/23 Estimate ... ... ... | 4,261,000 |

This staff accounts for the bulk of the vote for Customs and Excise. The total staff has increased from 10,050 in 1914 to 11,146 estimated for April 1922. The increase in numbers does not appear to be unreasonable having regard to the increase in the duties imposed upon these Officers, the amount produced by the Duties having increased four and a half times.

We have made enquiries as to the tests which are applied to avoid wastage in staff.

Customs and Excise Stations are of two kinds, namely, Time Attendance Stations, and General Stations.

As regards Time Attendance Stations, the Board of Customs and Excise are required by statute to provide for the attendance of Officers at particular places, *e.g.*, docks and warehouses, for a certain period daily.

In General Stations an Officer is given Customs and Excise work of all kinds falling within a defined geographical area. This work comprises surveys, inspections and interviews, accounting, and visits to traders and Old Age Pensioners.

The Board have fixed standard time equivalents for all units of work which admit of standardisation, and by this means have arrived at a normal year's work for each man.

4. *Revenue Launches, &c.*

The annual cost of running and maintaining the Cruiser "Vigilant" is £6,800, to which must be added the cost of running and maintaining the twenty-two Revenue Launches, £48,000, and eighteen Motor Launches at a cost of £7,900 per annum. Having regard to the length of coastline, and the importance of preventing avoidance of payment of Duties, we cannot recommend any reduction in the preventive work of the Board. The value of this work cannot be gauged by the number of seizures in smuggling cases, as the real value is the deterrent effect which these craft exercise. The number of seizures has, however, increased. The following table shows the number of

seizures, the value of goods seized, and the penalties recovered in the years 1913/14 and 1920/21 :—

| | Number of Seizures. | Value of Goods Seized. | Penalties Recovered from Smugglers. |
|---|---|---|---|
| | | £ | £ |
| 1913–14... ... ... ... | 7,694 | 5,000 | 6,431 |
| 1920–21... ... ... ... | 11,076 | 16,000 | 18,698 |

## CONCLUSION.

**Having regard to the importance of maintaining the Revenue, we do not recommend any reduction in the Estimates of this Department beyond the revised figures submitted, namely, £5,451,000, which is a reduction of £103,000 below the Provisional Estimate of £5,554,000 originally submitted, although there should be a further small saving of, say, £3,000 as a result of the discontinuance of certain returns referred to in paragraph 2.**

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## Chapter II.

### INLAND REVENUE.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 2,034,788 |
| 1921/22 Estimate ... ... ... | 8,024,750 |
| 1922/23 Estimate ... ... ... | 7,269,000 |

1. Since the Provisional Estimate for 1922/23 was furnished, it has been found possible to reduce still further the estimated expenditure from £7,269,000 to £7,179,000. This is on the assumption that the cost of the Valuation Office is limited to £350,000. To this £7,179,000, however, it is now sought to add £162,000 for special non-recurrent work in connection with a reassessment of property to Income Tax (Schedules A and B), and Inhabited House Duty. It is anticipated that this reassessment will increase the receipts from Income Tax, Super-Tax and Inhabited House Duty by roughly £10,000,000.

2. The efficiency of this Department is of greater importance in maintaining the revenue of the State and except upon broad general lines it is not possible to criticise its expenditure.

The following is a comparison of the staff :—

| | | |
|---|---|---|
| August 1914 ... ... ... | 4,508 | |
| April 1922 (Estimated) ... | 14,840 | |
| Increase ... | 10,332 | =229 per cent. |

These figures exclude Industrial staff numbering 550 in 1914 and 620 in 1922, and cleaners in the provinces.

The Gross Revenue collected by the Department has risen from £87,989,000 in 1913/14 to £512,000,000 in 1921/22, an increase of 482 per cent. The increase of staff is due not only to the increase in the amount of actual money which has been collected, but also to :—

(1) The increase in the rates of duty which render Taxpayers, in the discussion of their liability, far more jealous of their rights and far more prone than before to engage expert assistance.

(2) The increase in the number of cases which have annually to be dealt with.

(3) The increase in the complexity and elaboration of the law.

(4) The addition to the work of the Department of definite new tasks which had no pre-War counterpart, viz., the Excess Profits Duty, the Corporation Profits Tax, and the supervision of the manufacture of currency notes.

It should be mentioned, however, that the duties on Land Values were repealed in 1920.

It is obvious that the work is affected by the greater complexity of a increased number of cases as well as by the rate of tax, and figures have been supplied by the Commissioners which show that the number of cases has increased from 11,585,000 in 1913/14 to 25,140,000 in 1921/22, the latter figure being inclusive of new Taxes, Excess Profits Duty, and Corporation Profits Tax.

3. *Head Office.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 397,000 |
| 1922/23 Estimate ... ... ... | 1,033,000 |

The staff has increased as under :—

| | |
|---|---|
| 1913/14 ... ... ... ... ... | 2,136 |
| 1922/23 (Estimated) ... ... ... | 2,950 |

Of the staff in 1922/23, 1,110 are temporary, the permanent staff showing a decrease from 2,039 to 1,840.

Since the Provisional Estimate was prepared certain minor economies have been found possible which reduce the Head Office cost from £1,033,000 to £1,010,000.

Having regard to the increase in volume and complexity of the work, we make no recommendation.

4. *Tax Inspectorate.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 232,000 |
| 1922/23 Estimate ... ... ... | 1,201,000 |

The number of Inspectors has increased from 758 to 1,801, and apart from bonus the grading of the Inspectorate has been slightly improved.

5. *Tax Clerks.*

| | £ |
|---|---|
| 1913/14 Authorised Cost .... ... | 140,000 |
| 1922/23 ... ... ... ... ... | 2,214,000 |

The staff has increased from 1,600 in 1913/14 to 10,000 for next year. This increase is entirely attributed to the increase in the work both in volume and complexity and to new duties imposed, *e.g.*, Excess Profits Duty, Corporation Tax, &c.

We understand that the staff is subject to considerable overstrain and that a large number cannot be considered as fully experienced.

The Commissioners of Inland Revenue have adopted a scale based on units of work for comparing the work and staff of the various offices. We have examined returns affecting thirty Tax Districts and find that the number actually employed is 784, which closely approximates to the numbers justified on the basis of units of work which has been adopted.

We consider that the Commissioners are closely watching the staff, and we make no recommendation.

6. *Assessors and Collectors.*

The figures for 1913/14 and 1922/23 are as under :—

| | 1913/14. £ | 1922/23. £ |
|---|---|---|
| Commuted Allowances of Assessors and Collectors ... ... ... | 268,630 | 1,116,000 |
| Payments to Associated Officers of Customs and Excise for collecting Taxes in arrear ... ... ... | 3,230 | 12,000 |
| Poundage to Railway Companies, &c. | 82,165 | 90,000 |
| Guarantee Premiums ... ... ... | 189 | 100 |
| National Health Insurance ... ... | 24 | 20 |
| | 354,238 | 1,218,120 |

The commuted allowances of Assessors and Collectors cover all clerical and other office expenses incurred in connection with the performance of their duties. The same considerations apply

to this item as to the two preceding items, and the Commissioners of Inland Revenue are fully satisfied that the increase in the volume of work has been such as to justify the increase in the aggregate remuneration.

We understand, however, that if the position of the Collectors and Assessors could be revised on the lines recommended by the Royal Commission on Income Tax and embodied in the Revenue Bill of last year, a progressive economy would be made amounting to £100,000 per annum (exclusive of bonus). We are informed that a change on these lines would result not only in economy, but also in greater efficiency.

7. *Land Valuation Office.*

| | £ |
|---|---|
| 1913/14 ... ... ... ... ... | 622,599 |
| 1922/23 ... ... ... ... ... | 446,000 |

Whilst submitting the figure of £446,000, the Commissioners indicate the possibility of rationing to a sum of £350,000, and this latter figure is included in the Estimate.

The Estimate of £446,000 provided for a staff of 395 Permanent Valuers and 476 Clerks, of whom 408 are temporary. The authorised staff in 1913/14 was 4,824.

The Valuation Office found its origin in a small nucleus staff of Valuers brought together in 1909, its first functions being to value important estates for the purpose of Estate Duty. On the passing of the Finance (1909/10) Act, 1910, the Valuation Office was developed on a large scale to cope with the general valuation of all the land in Great Britain and the assessment and collection of the Land Value Duties. In addition, the Office was entrusted with valuation and similar work for other Government Departments.

The main reason for the setting up of the Office disappeared with the repeal of the provisions of the 1910 Act in 1920, and it appears to us that the curtailment of the State Housing programme and the general reduction of Government activity will cause a further decline in the immediate future in the work of this Office. Great importance is attached by the Commissioners to the value of the Office in connection with Estate Duties, and 50 per cent. of the work is in this connection. It was also pointed out to us that the reassessment of property for Income Tax and Inhabited House Duty will cause additional work to be put upon this Office.

In all the circumstances, we cannot recommend the abolition of the Office, although the prime reason for which it was formed has now disappeared; but we think that the reduced figure of £350,000 is the maximum amount which should be allowed for 1922/23, and, further, that no vacancies should be filled until the policy of the Government on the question of the management of Government land and valuation has been determined.

## CONCLUSION.

**For reasons given in this Report we have come to the conclusion that the Provisional Estimate of £7,269,000, as reduced by the Department to £7,179,000, should be allowed. This gives a reduction of £90,000, against which, however, must be set an increase of £162,000 for special work in connection with the reassessment of property to Income Tax Schedules A and B, and Inhabited House Duty, which reassessment is estimated to increase the receipts from Income Tax, Super-Tax and Inhabited House Duty by roughly £10,000,000 per annum. These alterations involve a net increase of the Provisional Estimate by £72,000.**

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## Chapter III.

### POST OFFICE.

1. The Estimate for 1922/23, compared with the actual expenditure in 1913/14, and the Estimate for the current year is as follows :—

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 24,198,726 |
| 1921/22 Estimate ... ... ... | 67,165,287 |
| 1922/23 Estimate (Provisional) ... | 59,375,376 |
| Reduction ... ... ... | 7,789,911 |
| | (equal 11·6 per cent.) |

Since the Provisional Estimate was submitted a Revised Estimate of £57,371,000 has been put forward, showing a further saving of £2,004,000, which is accounted for by the revision of the Estimate for the conveyance of mails and for the cost of engineering work, and is not attributable to reduction of staff.

A detailed comparison of the Provisional Estimate for 1922/23 with the actual Expenditure in 1913/14 and the Estimate for the current year is given in Appendix (A).

We have been supplied by the Post Office with an analysis of the Revised Estimate for 1922/23, and the Expenditure can be roughly divided between the three Services as follows :—

| | Per Cent. of Total. |
|---|---|
| Postal Services ... ... ... ... | 62·3 |
| Telegraphs ... ... ... ... ... | 13·5 |
| Telephones ... ... ... ... ... | 24·2 |

The usual Exchequer Account Estimates show only the Cash Revenue and Expenditure. They do not take into consideration services rendered to other Government Departments which are

not paid for, Interest on Capital Expenditure, Rental Value of Crown Premises, Sinking Fund Charges, &c. These items are included in the Commercial Accounts, but estimates of these Accounts are not presented to Parliament.

We have been supplied with the following forecast of the Exchequer and Commercial Accounts for 1922/23 compared with the actual Revenue and Expenditure in 1913/14, and the estimate figures for the current year :—

EXCHEQUER ACCOUNT.

| | 1913–14 Audited Account. | | 1921–22 Estimate. | | 1922–23 Revised Estimate. | |
|---|---|---|---|---|---|---|
| | Revenue. | Expenditure. | Revenue. | Expenditure. | Revenue. | Expenditure. |
| | £ | £ | £ | £ | £ | £ |
| Postal ... ... ... | 21,190,000 | 14,717,000 | 40,000,000 | 41,440,000 | 42,000,000 | 35,760,000 |
| Telegraph ... ... | 3,080,000 | 3,734,000 | 5,400,000 | 8,780,000 | 5,500,000 | 7,660,000 |
| Telephones ... ... | 6,534,000 | 5,748,000 | 10,500,000 | 16,905,000 | 15,000,000 | 13,940,000 |
| Total ... ... | 30,800,000 | 24,199,000 | 55,900,000 | 67,125,000 | 62,500,000 | 57,360,000 |
| Excess or deficit ... | + £6,601,274 | | — £11,225,000 | | + £5,140,000 | |

COMMERCIAL ACCOUNT

| | 1913/14. | | 1921/22 Estimate. | | 1922/23 Revised Estimate. | |
|---|---|---|---|---|---|---|
| | Revenue. | Expenditure. | Revenue. | Expenditure. | Revenue. | Expenditure. |
| | £ | £ | £ | £ | £ | £ |
| Postal ... | 23,471,000 | 17,299,000 | 46,311,000 | 43,850,000 | 46,750,000 | 37,640,000 |
| Telegraph ... | 3,120,513 | 4,332,000 | 5,648,000 | 9,315,000 | 5,660,000 | 8,000 000 |
| Telephones ... | 6,191,000 | 5,952,000 | 13,720,000 | 15,670,000 | 15,670,000 | 14,340,000 |
| Total ... | 32,783,000 | 27,583,000 | 65,679,000 | 68,835,000 | 68,080,000 | 59,980,000 |
| Excess or deficit. | + £5,200,000 | | — £3,156,000 | | + £8,100,000 | |

2. The volume of Post Office business is governed largely by the trade and industrial situation, and we are informed that the Estimates for 1922/23 are based upon the present traffic, charges and services, and that no allowance has been made for any general revival of trade. A margin has, however, been allowed for the expansion of the telephone system.

The Commercial Account Estimate for 1922/23 gives the following results :—

| | £ | |
|---|---|---|
| Postal ... ... ... ... | 9,110,000 | Surplus. |
| Telegraph ... ... ... | 2,340,000 | Deficit. |
| Telephones ... ... ... | 1,330,000 | Surplus. |

The estimated surplus of £8,100,000 for 1922/23 compares with an estimated deficit for the current year of £3,156,000. In 1920/21 there was a deficit of £6,510,965 and in 1919/20 a deficit of £1,128,065. It would appear, therefore, that on this basis, although considerably increased charges have been imposed, the State has had to subsidise during the past three years, the Postal, Telegraph and Telephone Services by £10,795,000 on the basis of the Commercial Account.

That Account is put forward by the Post Office as giving a truer indication of the result of the activities of the Post Office than is contained in the Estimates, but it falls short of the accounts which would be necessary if the whole of the activities of the Post Office were run on a commercial basis. For instance, no balance sheet whatever is prepared for the postal services although this is done in the case of Telegraph and Telephones. A trading Company would, moreover, have to make provision for Income and other Taxes which is not done in any of the accounts.

We have been supplied with the following comparative statement showing the approximate volume of each class of business in 1913/14, 1920/21 and 1921/22 :—

| Class of Business. | 1913/14. | 1920/21. | 1921/22. |
|---|---|---|---|
| Letters ... ... ... ... | 3,477,800,000 | 3,460,000,000 | 3,400,000,000 |
| Postcards ... ... ... ... | 926,500,000 | 577,000,000 | 500,000,000 |
| Printed Papers ... ... ... | 1,172,300,000 | 1,340,000,000 | 1,150,000,000 |
| Newspapers ... ... ... | 207,100,000 | 202,000,000 | 192,000,000 |
| Parcels ... ... ... ... | 137,100,000 | 137,400,000 | 130,000,000 |
| Registered Letters and Parcels ... | 34,200,000 | 72,700,000 | 65,400,000 |
| Express Delivery Services ... | 2,500,000 | 2,000,000 | 1,900,000 |
| Telegrams forwarded ... ... | 87,000,000 | 80,000,000 | 74,300,000 |
| Money Orders ... ... ... | 16,100,000 | 16,800,000 | 15,500,000 |
| Postal Orders ... ... ... | 159,200,000 | 106,700,000 | 101,500,000 |
| Telephones— | | | |
| Trunk Calls ... ... ... | 38,200,000 | 57,600,000 | 52,200,000 |
| Local Calls ... ... ... | 834,000,000 | 843,000,000 | 675,000,000 |
| *Services for other Government Departments, &c.* | | | |
| Licences issued ... ... ... | 3,253,910 | 2,752,220 | 3,000,000 |
| Old Age Pensions ... ... ... | 50,518,052 | 51,262,997 | 52,500,000 |
| Health Insurance Stamps ... | £16,877,000 | £22,883,000 | £22,094,500 |
| Unemployment Insurance Stamps | £ 1,553,000 | £ 7,236,000 | £25,000,000 |
| New Business— | | | |
| Allowance Forms— | | | |
| Number ... ... ... | — | 86,687,000 | 79,000,000 |
| Amount ... ... ... | — | £79,300,000 | £70,500,000 |
| Postal Drafts— | | | |
| Number ... ... ... | — | 4,063,000 | 3,500,000 |
| Amount ... ... ... | — | £ 9,000,000 | £ 8,400,000 |
| War Loan Dividends—Amount | — | £ 9,500,000 | £ 9,100,000 |
| Savings Certificates—Amount— | | | |
| Issued ... ... ... | — | £41,351,000 | £42,000,000 |
| Repaid ... ... ... | — | £32,305,000 | £42,000,000 |
| Entertainment Tax Stamps—Amount. | — | £ 754,000 | £ 620,000 |
| Income Tax Stamps—Amount ... | — | £ 1,024,000 | £ 710,000 |

We understand that, as regards Postal correspondence, the estimates are founded mainly on a count of letters, &c., for one week each year, and that although some allowance has been made for exceptional conditions, such as the Miners' Strike, the estimate may be vitiated by abnormal fluctuations, and can only be regarded as quite approximate.

The estimate of the current year's traffic was based on a count made last October, and in view of the rapid decline in trade since that date it is evident there is room for a large margin of error.

3. *Staff.*

The following table shows the staff employed by the Post Office on the dates specified :—

| | *Non-Industrial. | *Industrial. | Total. |
|---|---|---|---|
| August 1, 1914 ... ... ... | 208,889 | 20,600 | 229,489 |
| August 1, 1921 ... ... ... | 209,483 | 24,121 | 233,604 |
| December 1, 1921 ... ... ... | 204,907 | 23,613 | 228,520 |
| April 1, 1922 (estimated)... ... | 202,500 | 23,500 | 226,000 |

The figure for 1914 is approximate only. The increase in Industrial staff is said to be due principally to the expansion of the telephone plant to be maintained, and the decrease in Non-Industrial staff to the reduction in business, set-off in part by new services undertaken since the war involving the employment of staff numbering 4,200.

4. *Clerical Staff.*

This staff numbers 14,700 and is included in the non-industrial class. As it is engaged largely on routine work it is essential that a regular, systematic survey of the work should be taken in order to see that the output per man-hour is not allowed to drop, and also to ascertain by every possible means whether shorter and more direct methods cannot be adopted for achieving the same result. We have examined the standard tests which are applied to large blocks of routine clerical work and find that checks of this nature are applied to 7,220 out of a total clerical staff of

* Industrial Staff is largely composed of Engineering Workmen. Non-Industrial Staff includes Clerks, Sorters, Telegraphists, Postmen, &c.

14,700. Details of the Departments in which these checks are applied are as follows :—

| — | Approximate Number of Officers whose work is Checked by Statistical Methods. | Approximate Number whose work is not so Checked. |
|---|---|---|
| Money Order Department ... ... | 670 | 900 |
| Accountant-General's Department ... | 1,010 | 940 |
| London Telephone Service ... ... | 200 | 500 |
| Savings Bank Department ... ... | 2,350 | 1,700 |
| Stores Department... ... ... ... | 630 | 150 |
| District Managers' Offices... ... ... | 1,600 | 100 |
| Accountants' Offices ... ... ... | 190 | 115 |
| London Engineering District ... ... | 70 | 375 |
| Number in Departments where no statistical check is possible or for which definite information is not available, *e.g.*, Secretary's, Engineer-in-Chief's, Surveyors', Provincial Engineers' Offices, &c. | — | 2,600 |
| Typing staffs ... ... ... ... | 500 | 100 |
| Totals ... ... ... | 7,220 | 7,480 |

The largest number is employed in the Savings Bank Department, and the tests applied in that Department are of two kinds. In one case a record of output is taken, and this applies to 1,330 out of a total staff of 4,050. The record shows that the output is appreciably less than before the war but an improvement is shown as compared with 1918-19, when the staff was necessarily less efficient than normal. It is also explained to us that the work has grown in complexity as well as volume.

In the second case, a definite task, based on tests, is allotted as being a fair day's output, and the staff have to perform that task. A similar check is applied in the Accountant-General's Department.

## Postal Services.

These services, which in the Revised Estimate are shown as costing £35,804,270, represent 62·3 per cent. of the total cost of the Department. The staff may be divided into two main sections—Indoor Force and Outdoor Force.

### 5. *Indoor Force.*

We find on enquiry that a system is in existence which enables the different classes of work, such as letters, parcels, sealed bags, registered letters, &c., to be valued out in units so as to arrive at the staff considered necessary under normal conditions for dealing with the work of the office. It appears that this system is not regularly applied either at headquarters or in the seventeen Surveyors' areas into which the country is divided, the Surveyors relying on personal inspection by their staff. It is, however,

used in cases where Postmasters apply for increases of staff. Before the war, we understand, cases of declining traffic were practically unknown, and at that time it may be that the limited use provided all the check that could reasonably be expected. Since the war, however, the position has changed, and we think that with so appreciable a reduction in traffic since 1913/14 —*e.g.*, letters show a drop 77,000,000, postcards 426,000,000, postal orders 58,000,000—a general scrutiny of the staff in relation to the volume of work is absolutely necessary.

We fully recognise that unless great care is exercised, comparison of one office with another or one district with another may be dangerous and misleading. We think, however, that a full comparison of the volume of work in relation to the staff and cost for each of the seventeen Surveyors' Districts would be valuable. Each Surveyor would know how his results compared with those of earlier years, and also how far they differed from the results obtained in other districts, and could ascertain the causes of this divergence. It is obviously impossible with varied conditions as to districts, train services, rush hours, etc., to lay down a hard and fast standard; but returns of the nature indicated serve to show how far each district deviates from the normal. At present the Administrative Machine is designed to check growth of staff, but does not necessarily operate in times of falling traffics.

The Department have evidently realised the importance of a scrutiny of this kind, because some six months ago a Travelling Committee was appointed to inspect the larger Post Offices in Great Britain. This Committee has compiled certain figures of traffic and staff for fifteen of these offices, but has not yet submitted a report to the Postmaster-General. Discussions, however, are taking place between the Committee and the various Postmasters. It is obvious from the figures compiled by this Committee that there is *primâ facie* case for enquiry, and the Committee itself is by no means satisfied with the standard of staffing which obtains at some of the offices. We think it desirable that the scope of this enquiry should be extended and the report expedited.

In order to gather a general impression as to the present relation between traffic and staff, the Post Office have compiled at our request a comparison between October 1921 and the last occasion when a test was taken. We selected for this test the North Midland and Scotland East districts, also two large offices —Birmingham and Nottingham. The dates of the figures with which comparison is made vary widely; in some cases the last test made was in 1905.

The returns relate to both indoor and outdoor forces, but at this stage we will deal only with the figures as to indoor staff.

The Post Office point out that the returns have had to be compiled under considerable pressure, and that since the date of the earlier figures changes have occurred in the conditions of

service, notably the granting of half-an-hour meal relief in the case of split duty. Nevertheless, the results, even when looked at in districts, reveal such divergence as to be of interest.

| | Increase or Decrease, per cent. | | |
|---|---|---|---|
| | Units of Work. | Staff Engaged. | Cost calculated on Holt scale throughout. |
| Birmingham— | | | |
| Postal ... ... ... | + 12·36 | + 28·14 | + 20·75 |
| Telegraph ... ... ... | — 17·42 | + 22·37 | + 14·88 |
| Nottingham— | | | |
| Postal ... ... ... | + 15·55 | + 20·0 | + 22·66 |
| Telegraph ... ... ... | — 13·73 | + 3·07 | + 0·81 |
| N. Midland, Postal and Telegraph. | + 13·55 | + 16·34 | + 15·37 |
| Scotland E., Postal and Telegraph. | + 9·42 | + 6·21 | + 5·17 |
| Total ... ... | + 8·53 | + 16·78 | + 14·15 |

When examined in detail the results show even greater divergence. For example, Ashbourne has a drop in business of 3·96 per cent., but an increase in staff of 24·62 per cent., and in cost of 33·28 per cent. Stamford has a drop in business of 7·26 per cent., but an increase in staff of 16·6 per cent., and in cost of 8·9 per cent.

The result of our own partial and necessarily general investigation, coupled with the results of the Committee appointed by the Post Office, leads us to point out the vital necessity for a strict watch on the cost of the service. It should not be necessary to have to go back fourteen years to obtain a comparison for an office of the standing and importance of Nottingham.

During the course of our investigation we have been struck with the immobility of the Postal staff. For example at Derby the existing permanent staff is admittedly greater than present conditions would justify, but being permanent men they are carried as surplus. At the same time temporary staff are being employed at Manchester. Again at Stornoway, to meet an anticipated development of traffic a considerable addition had been made to the strength of the office; the anticipations have not been realised, but the additional staff is still retained. In the former case it may well be that the normal vacancies will soon absorb the surplus staff, and that no economy would result from moving men for a short time, but it would appear that considerable time must elapse before surplus at an office like Stornoway can be profitably employed. We also found that in all cases, except the smaller branch offices, men for leave relief duty have been appointed. We consider that the question of fluidity of the staff is one which should be very carefully reviewed.

The total indoor staff involved is 27,500. We realise that in small offices a minimum number of staff must be in attendance,

but, after allowing for that, and having regard to the results in the districts examined we think that with present traffics a closer and more regular scrutiny of the staffing would admit of a reduction of staff equivalent to 5 per cent. being effected.

This reduction would take some time to bring about so we only suggest a saving in 1922/23 of £150,000.

6. *Outdoor Force.*

In the case of outdoor staff many considerations are involved. A minimum service has to be given, and the delivery of letters completed at a reasonable time. The practice of the Post Office seems to be to deal with complaints either from the public or the staff by means of a personal test of the round by an inspector attached to the office or by a surveying officer.

As in the case of indoor staff, a measure of traffic can be applied to town postmen. Obviously rural postmen are governed by different circumstances.

An examination of the figures of work and staff for the same districts, as in the case of indoor staff, shows the following results :—

| | Increase or Decrease, per cent. | | |
|---|---|---|---|
| | Units of Work. | Staff Engaged. | Cost. |
| Birmingham ... ... ... ... | + 22·35 | + 14·7 | + 21·81 |
| Nottingham ... ... ... ... | + 1·65 | — 3·7 | + 1·3 |
| North Midland District ... ... | + 15·11 | + 11·61 | + 20·39 |
| East Scotland District ... ... | + 10·21 | + 2·68 | + 3·51 |
| Total ... ... ... ... | + 14·74 | + 8 31 | + 14·07 |

The figures shown above are not unsatisfactory, but when the figures of individual offices comprised in the districts are considered, a *primâ facie* case for enquiry is indicated :—

| | Increase or Decrease, per cent. | | |
|---|---|---|---|
| | Units of Work. | Staff Engaged. | Cost. |
| Coventry ... ... ... ... | + 14·90 | + 27·9 | + 33·2 |
| Grantham ... ... ... ... | + 4·14 | + 19·2 | + 30·1 |
| Loughboro' ... ... ... ... | + 14·65 | + 38·0 | + 42·7 |
| Nuneaton ... ... ... ... | + 31·55 | + 41·9 | + 51·6 |
| Tamworth ... ... ... ... | + 12·08 | + 44·8 | + 42·2 |
| Cupar ... ... ... ... ... | — 4·4 | + 16·6 | + 16·3 |
| Forres ... ... ... ... | — 2·1 | + 20·0 | + 14·1 |
| Perth ... ... ... ... ... | + 11·74 | + 30·93 | + 28·41 |

The total outdoor postal staff numbers 80,500, of which about 27,500 may be classed as rural.

Reductions in rural postmen must be governed by considerations other than traffic, but we consider, having regard to our examination of the above returns, a closer and more regular scrutiny would admit of a reduction of staff equivalent to 5 per cent. being effected. Here again time would be required to bring about a reduction, so we suggest a saving in 1922/23 of only £200,000.

7. *Telegraphs.*

In this Department quality of service and economy of operation have to be kept equally in mind.

We have made enquiry as to how the checks of the Department are exercised, and find that returns are furnished to headquarters for one day per month by the smaller offices and one day in alternate months by the largest offices. By this means a check on the quality of the service is maintained.

A periodical check on staffing is also maintained by headquarters, and the following Table shows for the last five half-years how the staff and traffic have varied at the ninety-seven largest offices :—

| Date. | Staff Hours. | | | | Total Traffic (Valued). | Average Hourly Number of Telegrams dealt with per Officer— (*a*.) By the Manipulative Staff; (*b*.) By the Total Staff. | |
|---|---|---|---|---|---|---|---|
| | Supervising Force. | Non-Manipulative Force. | Manipulative Force. | Total Force. | | | |
| | | | | | | (*a*.) | (*b*.) |
| October, 1919*... | 13,350 | 42,325 | 115,359 | 171,034 | 2,411,955 | 20·9 | 14·05 |
| April, 1920 ... | 13,652 | 44,280 | 102,744 | 160,677 | 2,254,379 | 21·9 | 14·02 |
| November, 1920 | 13,322 | 44,296 | 94,861 | 152,480 | 1,785,597 | 18·9 | 11·75 |
| May, 1921 ... | 13,640 | 42,060 | 86,042 | 141,743 | 1,975,834 | 23·0 | 13·95 |
| October, 1921 ... | 12,892 | 39,968 | 87,548 | 140,409 | 1,698,204 | 19·4 | 12·10 |

* Traffic inflated by Railway Strike.

It will be seen that the average hourly number of telegrams dealt with between 8 A.M and 8 P.M. on the day of the test shows considerable variation. The Post Office regard an output of 24 telegrams per hour per operator employed on manipulative duties as reasonable for an average office, and it will be seen that the average in October, 1921, was only 19·4 per hour, a reduction of 3·6 per hour compared with the previous test, and 4·6 below standard. Similarly, although here the figure is a little more difficult to compile, 14 telegrams per hour is regarded as the average over-all output for all staff, and this figure was actually reached in October, 1919, and April, 1920. At the last test, however, the output was only 12·10.

These figures show, we think, that while there has been a steady decrease in the force employed, this decrease has lagged behind the fall in traffic. It is admitted that there is an estimated surplus of telegraph staff of about 15 per cent. over bare necessities. Telegraph traffic, however, is not regular, and we append a diagram, Appendix (B), showing the fluctuations in the average daily number of telegrams handed in throughout the United Kingdom during the last three years. We recognise that in the case of a sudden increase in traffic the staff cannot be immediately augmented by trained personnel, as it is some time before an operator can give a reasonable rate of output. Some reserve of force is therefore necessary; but we find it difficult to justify the retention of 15 per cent. surplus staff, especially as there is a staff of about 11·1 per cent. carried as a relief force to cover sick and holiday absences. Further, holidays are given during the period of maximum traffic.

The present rate of wastage is about 7¾ per cent. per annum, and this has been allowed in the Estimates for next year. We think unless there is an increase in traffic, the rate of wastage might be slightly accelerated during next year and a saving of a further £30,000 a year effected.

In reviewing the telegraph service we have been impressed by the full information regularly compiled as to the volume of traffic, the staff employed, and the efficiency of the service.

8. *Telephones.*

As in the case of telegraphs, quality of service and economy in operation are equally important.

A check on the traffic and staff is maintained by means of a return for one day in each quarter in the case of the larger Exchanges, and for one day in six months for the smaller Exchanges. We have examined the individual returns and also the summary and are satisfied that the figures produced enable a very complete check to be kept on the efficiency of the various Exchanges, and we are told that the operator is not aware when the check is being taken.

From the beginning of 1921 the traffic rapidly decreased, and the decrease was accentuated by the introduction of new rates in April, 1921. By May, 1921, when the steps taken after the Armistice to strengthen the telephone staff had produced the maximum trained staff, the busy hour load of originating traffic per operator had fallen to about 155 "valued" calls. The standard busy hour load recognised by the Post Office as efficient is 200.

It was estimated by the Post Office that at May, 1921, there was a theoretical surplus of 16·9 per cent. of the staff at Exchanges of 300 lines or more. Recruiting was suspended, and while the staff has been reduced the number of lines has increased, which has resulted in a reduction in the theoretical surplus.

Appendices (C) and (D) give a summary of the lines, traffic,

staff and service of these Exchanges from November, 1918, to January, 1922, with notes which may be of interest.

In this case also we have been favourably impressed with the information regularly compiled with a view to securing economy of operation and efficiency of service.

Of the 15,800 operators, 13,300 are employed at the larger Offices, and we think that, failing a growth in traffic, recruiting should remain suspended, retirement accelerated, if possible, and an additional saving of £10,000 realised next year.

9. *Engineering.*

The programme of engineering work for which provision is made in the Revised Estimates is as follows :—

| | Lines and Apparatus. | | Electric Light and Power and Common Services. |
|---|---|---|---|
| | Telegraph Services. | Telephone Services. | |
| | £ | £ | £ |
| Construction ... ... ... ... | 703,140 | — | 68,690 |
| Renewals, rearrangements, &c. ... ... | 200,800 | 2,085,030 | 57,750 |
| Maintenance ... ... ... ... | 420,000 | 3,029,700 | 227,000 |
| Repairs of stores in Post Office factories | 32,060 | 288,570 | 4,700 |
| | 1,356,000 | 5,403,300 | 358,140 |
| Total ... ... | £7,117,440 | | |

In 1913/14 the corresponding figure was £2,700,000.

In addition to the above estimates there is considerable new construction of telephone line and equipment on capital account estimated to cost during 1922/23, including sites and buildings, £9,500,000, so that the total estimated expenditure on new construction and maintenance in connection with the telegraphs and telephones of the country during 1922/23 is £16,617,440.

The first cost of telegraph plant at 31st March, 1922, is stated to be £10,000,000, and of the telephone plant, £52,250,000. We have examined in detail the expenditure for eleven years and do not think the provision proposed for maintenance and renewal can be reduced if the efficiency of the service is to be maintained.

With regard to Capital Expenditure on Telephone Account, we understand that upwards of 23,000 applicants are waiting telephonic facilities, and having regard to the fact that this country lags behind other countries in the ratio of telephones to population we do not think this expenditure can with advantage be reduced.

For purposes of engineering control the country is divided into thirteen areas, each area being under the control of a Superintending Engineer who is responsible direct to the Engineer-in-Chief.

We have examined very carefully the various methods which are employed to secure a satisfactory output of work from each work-

man. The total time occupied by the workmen on maintenance is divided by the number of units maintained and the average cost of maintenance per unit per week is arrived at. By this means the Engineer-in-Chief keeps in close touch with the cost of maintenance in each of his districts, and is able to compare the results obtained in the various districts.

In regard to construction work progress reports are compiled which enable the Engineer-in-Chief and the Superintending Engineers to ascertain the cost under each item of work.

We find that the results for the various districts are circulated to all Superintending Engineers, so that a laudable spirit of rivalry is encouraged.

In this department there is a systematic compilation of results and circulation of information.

10. *Imperial Wireless Chain.*

Included in the Post Office Estimates for next year is an item of £250,000 for plant, &c., in connection with the Imperial Wireless Chain, and the Office of Works have been asked to include £200,000 for buildings. The total estimated cost to this country of its proportion of the Imperial Wireless Chain is £800,000, so that a balance will remain to be provided in subsequent years. We understand that schemes have been put forward by a commercial company, but that they have been subjected to criticism both on general and technical grounds, and that the present scheme has the approval of the experts. Certain work, such as the first links at Leafield (Oxfordshire) and Cairo, have been authorised, and officers have been sent out to South Africa, India and the East to select sites. Much of the preliminary work has been completed. In these circumstances, we make no recommendation.

11. *Engineering Stores.*

We have investigated the position of stores and find that the value of stock at the 31st March, 1921, was £3,126,591. The stock at the 31st March, 1914, valued at 1921 prices represented £2,906,000. Having regard to the fact that included in the stores in 1921 there is a submarine cable valued at £318,000, it does not appear that there has been any undue increase in the value of stores held.

The total stock of stores includes items which must be held in case of emergencies, such as storms, special events, and so forth, and these amount to £1,483,000 leaving a balance of £1,642,791 available for the maintenance of all engineering plant (telegraphs, telephones and common services), for joining up additional telephone subscribers, for works of renewal and rearrangement, and for new construction works both on Vote account and Capital Account. This stock represents between four and five months' average consumption, and having regard to the great variety of the stores and the time required to obtain tenders and deliveries we do not think the stock held is excessive.

12. *Factories.*

The Post Office operate two Factories, one in London and one

in Birmingham, the total number of workpeople employed being 579 and 540 respectively.

The bulk of the work at these Factories consists of the repair of telephone and telegraph apparatus, and the adaptation and conversion of apparatus from older to later forms.

The work is of a very varied character; but it appears from information which has been supplied to us that it has been found possible to apply piece-work rates to over 80 per cent. of the total work of the Factories. The large preponderance of piece-work enables the foreman to give special attention to time-work jobs: but in any case of a job becoming a recurrent one a piece-work price is fixed. We understand that it is the policy of the Post Office that if a piece-work rate is once fixed it is not cut unless a change of method is introduced, and the workmen are encouraged to earn as large profits as possible with a view to reducing establishment charges.

It is not practicable for us to form any opinion as to the cost of repairs carried out at these Factories; but in reply to an enquiry we were informed that in all cases where outside tenders have been obtained the prices submitted have been found to be in excess of Factory costs after due provision had been made for establishment charges.

13. *Conveyance of Mails.*

Conveyance by rail, road, sea and air is put at £8,662,900 in the Provisional Estimate for 1922/23, as compared with £2,845,336 in 1913/14. The Provisional Estimate has since been reduced to £7,187,472.

Apart from Road Transport owned by the Government these payments depend on Contracts and other arrangements made with the carrying companies, and we are not in a position to make any recommendation.

We understand, however, that an arrangement has been made with the railway companies to carry the Parcels Post packages on the basis of 40 per cent. of gross receipts in lieu of 55 per cent., but this saving has been taken into account in the Revised Estimates.

14. *Motor Transport.*

The Post Office own the following vehicles :—

| —— | Engineering Department. | Stores Department. | Postal Services. | Total. |
|---|---|---|---|---|
| Motor-Cycle Combinations | 500 | — | 7 | 507 |
| Motor-Cars... ... ... | 12 | — | — | 12 |
| Motor Vans and Lorries ... | 165 | 35 | 151 | 351 |

We have examined the checks employed on the running of these vehicles, and find that adequate allowance is made for depreciation, interest on capital and other overhead charges. The introduction of these vehicles has effected substantial economies, and we find

that every care is taken before new Services are undertaken to ensure that in each case the running of Government-owned vehicles is cheaper than hiring.

15. *Uniform.*

The total cost of Uniform, including £16,500 for cost of uniform purchased for other Government Departments, is, on the 1913/14 standard of quality and equipment, £488,600. As in the case of the Fighting Services and Police, we consider that a lowering of the standard can be adopted without loss of efficiency. Economies have already been made amounting to £90,500, but we think more can be done in that direction, so that the total saving may be equivalent to 33⅓ of present-day cost based on the pre-war standard of uniform. This would yield a further saving on the Estimate of £81,000.

16. *Postal Charges.*

The Exchequer Account Estimates for 1922/23 foreshadow a surplus on the three Services as a whole of £5,140,000.

It has been shown, however, that in the current financial year the Services have been subsidised by the State, and it is for consideration what proportion of this surplus should go to the reduction of postal charges and to the Exchequer.

We have been reminded by the Postmaster-General of the pledges given when the new rates were imposed in 1921 " that the Government recognise that when costs are reduced the user of the Postal Services is entitled to get the benefit, and that such reductions as are possible in the rates now imposed will be made as soon as a surplus on the Post Office balance sheet is assured."

This pledge was given in relation to specific increases, and we understand that the increases imposed at that date may be estimated to yield at the rate of £2,000,000 per annum.

In the present financial condition of the country we do not think it unreasonable that a great monopoly like the Postal Telegraph and Telephone Services should yield some return to the Exchequer in respect of the capital invested, especially having regard to the fact that if it were in the hands of Trading Companies the Government would receive substantial payments in respect of Income Tax, Corporation Tax and Property Tax.

It may be that in certain cases additional net revenue could be derived from a reduction in charges and to such reduction no exception can be taken. We consider, however, that economy of operation is so important that any reductions in charges should where practicable be coupled with conditions which would enable the Post Office to take fuller advantage of the hours when surplus staff is necessarily available and thus relieve the congestion and expense of the rush hours.

## CONCLUSION.

**As a result of our consideration, we are of opinion:—**

**1. That regular and systematic check of traffic and staff should be instituted for the Postal Services.**

**2. That the cost of indoor force can be reduced to the extent of £150,000.**

**3. That the cost of outdoor force can be reduced to the extent of £200,000.**

**4. That the cost of the Telegraph and Telephone staffs can be reduced by £40,000.**

**5. That the standard of uniform should be lowered, as recommended in the case of other Uniform Services.**

**6. That the Provisional Estimate of £59,375,376 should be reduced to £56,900,145, a saving of £2,475,231 in 1922/23, which is £471,000 less than the revised Estimates submitted.**

## APPENDIX (A).

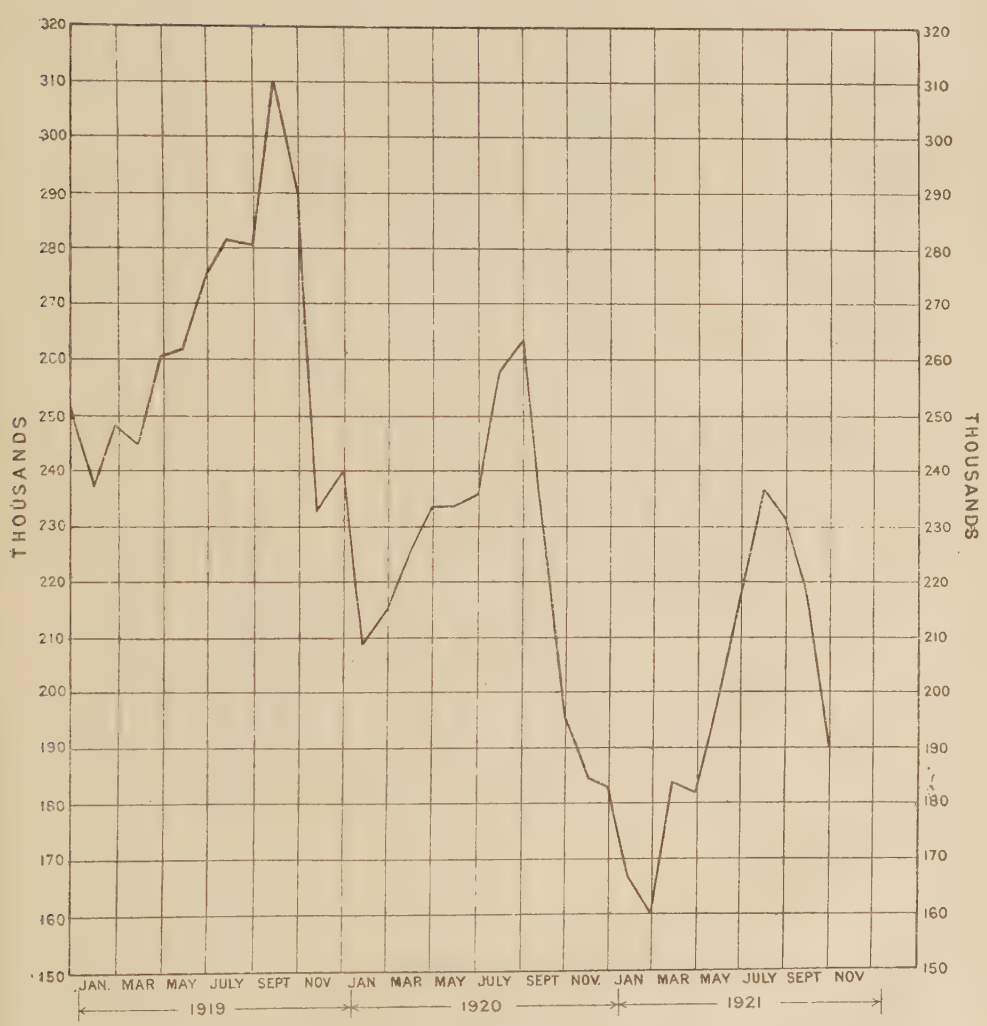
COMPARISON OF THE EXPENDITURE (1913/14), ESTIMATES (1921/22) AND PROVISIONAL ESTIMATES (1922/23) OF THE POST OFFICE.

| | Audited Expenditure, 1913/14. | Estimates, 1921/22. | Provisional Estimates, 1922/23. |
|---|---|---|---|
| *Salaries, Wages and Allowances.* | | | |
| Headquarters Establishments ... | 657,972 | 1,950,815 | 1,667,000 |
| Metropolitan Establishments ... | 4,606,288 | 13,616,684 | 11,547,000 |
| Surveyors ... ... ... ... | 83,081 | 187,645 | 163,000 |
| Provincial Establishments ... | 9,137,509 | 26,344,960 | 21,160,000 |
| Stores Department ... ... | 275,484 | 836,260 | 735,000 |
| Postal Agencies Abroad... ... | 25,099 | 39,501 | 40,000 |
| Travelling and Subsistence ... | 217,210 | 268,500 | 255,000 |
| Rent and Office Fittings ... | 464,990 | 641,300 | 641,000 |
| Purchases of Sites ... ... | 100,403 | 150,000 | 150,000 |
| Conveyance of Mails ... ... | 2,845,336 | 7,990,558 | 8,662,900 |
| Payments to Railways, &c., for Telegraphic Service. | 55,003 | 105,000 | 105,000 |
| Non-Engineering Stores— | | | |
| Stores ... ... ... ... | 336,285 | 589,500 | 640,000 |
| Uniforms ... ... ... | 222,514 | 734,600 | 580,000 |
| Stamp Manufacture ... | 129,341 | 320,050 | 250,000 |
| Incidentals and Law Charges ... | 67,539 | 120,900 | 100,000 |
| Engineering Establishment ... | 1,721,010 | 5,660,950 | } 7,882,000 |
| „ Materials ... ... | 472,373 | 2,204,600 | |
| „ Contract Work ... | 534,234 | 1,309,060 | |
| Redemption of Advances ... | 1,949,200 | 2,835,854 | 3,593,421 |
| Superannuations, &c. ... ... | 952,161 | 2,209,000 | 2,129,000 |
| Post Office Savings Bank— | | | |
| Gross ... ... ... ... | 655,679 | 2,238,792 | ? |
| Net ... ... ... ... | — | 335,000 | 315,000 |
| Government Annuities, &c.— | | | |
| Gross ... ... ... ... | 6,575 | 9,525 | ? |
| Net ... ... ... ... | 95 | 55 | 55 |
| Telephone Arbitration ... ... | 29,309 | — | — |
| | 24,882,527 | 68,450,792 | 60,575,376 |
| Appropriations-in-Aid ... ... | 683,801 | 1,285,505 | 1,200,000 |
| | 24,198,726 | 67,165,287 | 59,375,376 |

Appendix B

# INLAND TELEGRAMS

## AVERAGE DAILY NUMBER OF TELEGRAMS HANDED IN THROUGHOUT THE UNITED KINGDOM



# APPENDIX (C).

## TELEPHONES.

*Summary of Lines, Traffic, Staff, &c., in Exchanges with* 300 *Direct Subscribers' Lines and over.*

| Date of Record. (1.) | Number of Lines. (2.) | Valued Calls (Originating, plus Incoming). (3.) | Total Day Operating Staff, including Supervisors, Record Operators, &c. (4.) | Average Day-load per Operating Employee (3÷4). (5.) |
|---|---|---|---|---|
| November 1918 (armistice) | 373,565 | 5,755,469 | 8,549 | 673 |
| May 1919 ... ... | 383,820 | 6,632,823 | 9,182 | 722 |
| July „ ... ... | 392,511 | 6,456,713 | 9,430 | 685 |
| October „ ... ... | 403,047 | 7,200,196 | 9,871 | 729 |
| January 1920 ... ... | 412,821 | 7,196,785 | 10,005 | 719 |
| April „ ... ... | 424,515 | 7,262,718 | 10,315 | 704 |
| July „ ... ... | 434,392 | 6,944,982 | 10,600 | 655 |
| November „ ... ... | 446,143 | 7,270,786 | 10,718 | 678 |
| January 1921 ... ... | 451,439 | 6,611,835 | 10,748 | 615 |
| May* „ ... ... | 453,050 | 5,647,965 | 10,823 | 522 |
| July „ ... ... | 444,512 | 5,568,563 | 10,551 | 528 |
| October „ ... ... | 451,104 | 5,711,465 | 10,243 | 557 |
| January 1922 ... ... | 460,000† | 5,720,000‡ | 10,035 | 570 |

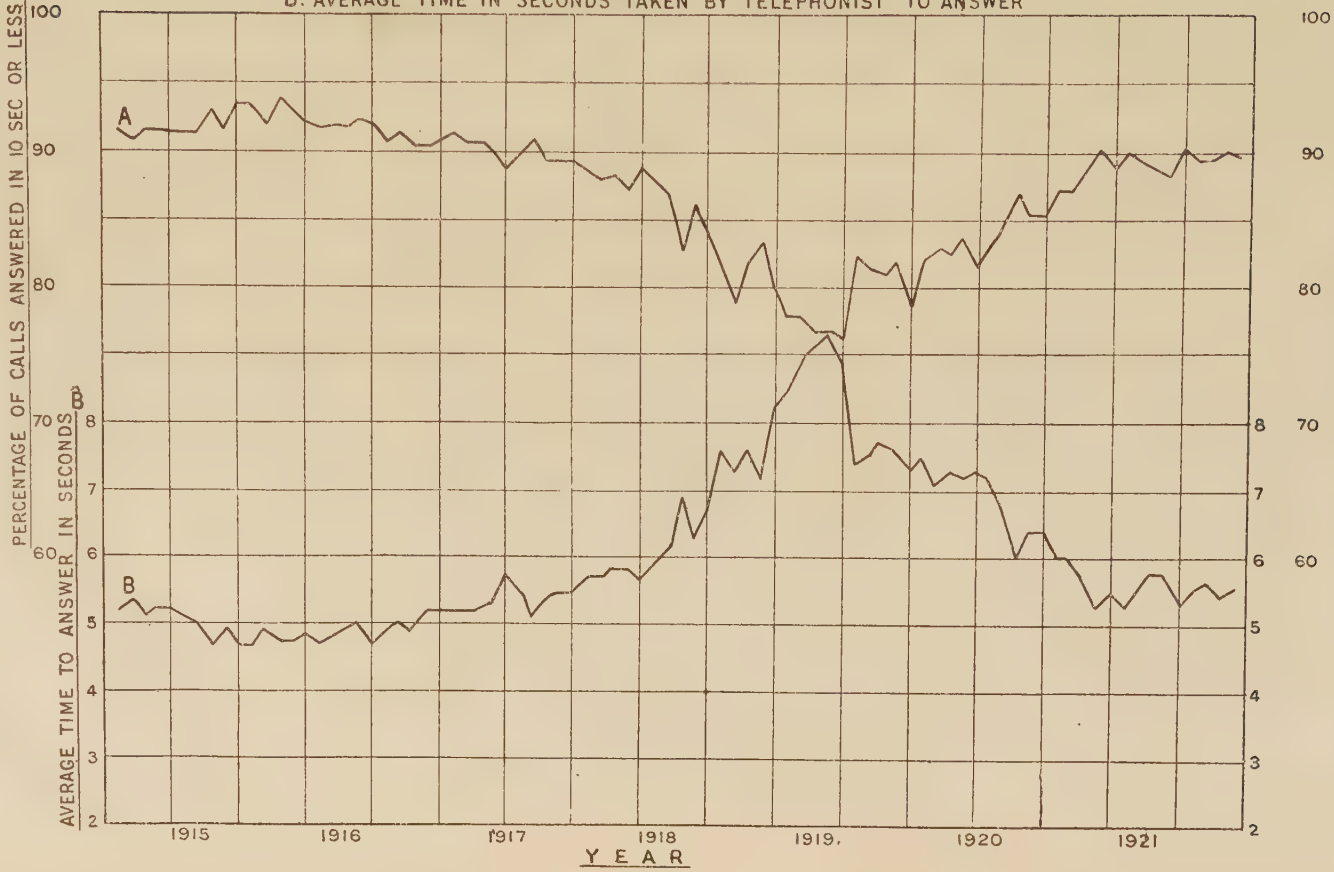
* New rates April 1 ; also Coal Strike. † Approximate. ‡ Estimated.

NOTES.—(1.) Total Day Telephonist Staff at all Exchanges, January, 1922—13,521 (London, 5,293 ; Provinces, 8,228).

(2.) The table above shows that the maximum number of originating and incoming calls was reached in November, 1920, with a total for the day of 7,270,786 calls. At that time the average day load per operator was 678, but in July, 1921, it had dropped to 528, and is now only 570. The figure of 678 in November, 1920, is considerably inferior to the average day load, 729, in October, 1919 ; but a reference to the diagram, Appendix (D), shows that in the year 1919 the average time taken to answer calls was, comparatively speaking, very high, and the percentage of calls answered by a telephonist in 10 seconds or less was correspondingly low. At the present time an improved quality of service is given, and the average time taken to answer calls is now $5\frac{1}{2}$ seconds, the percentage of calls answered in 10 seconds or less being about 90 per cent.

# DAY SERVICE TESTS

AVERAGE LONDON AND PROVINCIAL EXCHANGES
A. PERCENTAGE OF CALLS ANSWERED BY TELEPHONIST IN 10 SEC OR LESS
B. AVERAGE TIME IN SECONDS TAKEN BY TELEPHONIST TO ANSWER



# PART XI.—HOUSES OF PARLIAMENT AND CERTAIN CIVIL DEPARTMENTS.


| | | |
|---|---|---|
| House of Lords Offices ... ... | Class | II (1). |
| House of Commons Offices ... ... | Class | II (2). |
| Cabinet Offices ... ... ... | Class | II (3). |
| Treasury and Subordinate Offices... | Class | II (4). |
| Home Office ... ... ... ... | Class | II (5). |
| Privy Council Office ... ... ... | Class | II (9). |
| Mint ... ... ... ... ... | Class | II (26). |
| Civil Service Arbitration Board ... | Class | II (21). |
| Office of the Secretary for Scotland | Class | II (35). |
| Scottish Board of Health ... ... | Class | VII (3). |


## Chapter I.

## HOUSE OF LORDS OFFICES.
Class II (1).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 21,960 |
| 1921/22 Net Estimate ... ... ... | 70,946 |
| 1922/23 Net Estimate ... ... ... | 56,783 |

The control of the Treasury over this Estimate is confined to items which do not relate to the personal remuneration of Officers of the House of Lords. General control is vested in the Select Committee on the House of Lords Offices, which is appointed each Session.

Comparative Statement of Salaries, Wages and Allowances of House of Lords Offices.

| | 1913/14. | | 1921/22. | | 1922/23. | |
|---|---|---|---|---|---|---|
| | Numbers. | Total | Numbers. | Total. | Numbers. | Total. |
| | | £ | | £ | | £ |
| Department of the Lord Chancellor. | 5 | 5,502* | 5 | 6,612* | 5 | 6,187* |
| Department of Chairman of Committees. | 5 | 4,718 | 5 | 5,702 | 5 | 5,086 |
| Department of Clerk of the Parliaments. | 34 | 19,117 | 37 | 30,385 | 37 | 25,101 |
| Department of Black Rod. | 20 | 4,216 | 20 | 7,640 | 20 | 6,141 |
| Librarian's Department | 3 | 1,666 | 3 | 2,679 | 3 | 2,258 |
| Department of Lord Great Chamberlain. | 22 | 1,648 | 26 | 4,543 | 26 | 3,800 |

* Includes £4,000, the salary of the Lord Chancellor as Speaker of the House of Lords.

The figures given at the head of this Report represent the *net* Estimates. The financial position can more properly be gauged from the following comparative figures :—

| — | 1913/14. | Estimate 1921/22. | Estimate 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Gross Expenditure ... ... | 43,148 | 72,946 | 60,783 |
| Appropriations-in-Aid (Fees) ... | 21,188 | 2,000 | 4,000 |
| Net Expenditure ... | 21,960 | 70,946 | 56,783 |

This reduction of net expenditure by £14,000 as compared with 1921/22 will, we understand, be effected by diminution of Bonus, reduction in the cost of Police, an increase of 30 per cent. in Judicial fees and a slight increase in fees for Private Bills.

It will be seen from the figures given just above that the Appropriations-in-Aid from fees show a diminution from £21,188 in 1913/14 to £4,000 estimated for 1922/23. We are informed that this is due to a decrease in the volume of private business and to an increase in the amount of the Pension List which is a first charge on fees. As stated above, the Select Committee on the House of Lords Offices propose an increase of 30 per cent. in Judicial fees and a slight increase in fees for Private Bills, but in view of the great decrease in the fee revenue since 1914 and the present increased costs, we suggest that the Select Committee should give the fullest consideration to the possibility of :—

1. Increasing up to 50 per cent. the scale of Judicial fees.
2. Increasing the present fees for Private Bills by 50 per cent.

As regards Judicial fees, we are informed that 50 per cent. is roughly the increase recently imposed in the case of High Court fees.

## Chapter II.

### HOUSE OF COMMONS OFFICES.

CLASS II (2).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 294,622 |
| 1921/22 Net Estimate ... ... ... | 379,320 |
| 1922/23 Provisional Net Estimate ... | 369,208 |

The Provisional Estimate for 1922/23 has since been reduced to £365,229—a saving of £3,979.

The control of the Treasury over this Estimate is limited to items which do not relate to the personal remuneration of Officers. General control is vested in the House of Commons Offices Commission.

COMPARATIVE Table of Salaries, Wages and Allowances (other than Members' Salaries) of House of Commons.

| | 1913/14. | | 1921/22. | | 1922/23. | |
|---|---|---|---|---|---|---|
| | Numbers. | Total. | Numbers. | Total. | Numbers. | Total. |
| | | £ | | £ | | £ |
| Department of Clerk of the House ... | 46 | 24,702 | 37 | 37,026 | 37 | 30,159 |
| Department of the Speaker ... ... | 34 | 13,564 | 35 | 26,204 | 35 | 22,511 |
| Department of the Serjeant-at-Arms ... | 61 | 11,235 | 62 | 25,102 | 61 | 21,262 |

The only item of expenditure subject to Treasury control which shows an abnormal increase on the 1913/14 provision is the cost of Police, for which £14,497 is proposed as compared with an expenditure in 1913/14 of £5,528. We understand that the Authorities in the House of Commons have considered the possibility of a reduction, but are of opinion that it is not possible to reduce the number of Police on duty in the House of Commons. As this is a matter which necessarily depends on changing political circumstances, we assume that the Authorities will keep the matter constantly under review.

*Fee Revenue.*

The figures at the head of this Report give a comparison of the net expenditure of the House of Commons. The following figures show a comparison of the gross expenditure and the Appropriations-in-Aid from fees :—

| | 1913/14. | Estimate 1921/22. | Provisional Estimate 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Gross Expenditure ... ... ... | 314.866 | 392,820 | 382,708 |
| Appropriations-in-Aid ... ... | 20,244 | 13,500 | 13,500 |
| Net Expenditure ... ... | 294,622 | 379,320 | 369,208 |

From this table, it will be seen that receipts from fees for Private Bills have fallen from £20,244 to £13,500 estimated for the current and forthcoming financial years. This decrease is due to a diminution in the number of Private Bills. We understand that the Authorities in the House of Commons propose a slight increase in fees, but, as in the case of the House of Lords, we suggest that they should give full consideration to the possibility of increasing fees for Private Bills by 50 per cent.

We understand that the Provisional Estimate for 1922/23 includes the salaries of Members of Parliament representing constituencies in Southern Ireland, and if, as we assume, these Members do not sit at Westminster, we are informed that the Provisional Net Estimate can be reduced by £28,400. This reduction, in addition to the saving of £3,979 already made on the Provisional Estimate of July last, gives a total saving of £32,379.

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## Chapter III.

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### CABINET OFFICES.

CLASS II (3).

| | £ |
|---|---|
| 1913/14 ... ... ... ... | Non-existent. |
| 1921/22 Estimate ... ... | 65,089 |
| 1922/23 Provisional Estimate ... | 54,879 |

The Provisional Estimate for 1922/23 has since been reduced to £53,537—a saving of £1,342.

In 1913/14, there was not a Cabinet Office, the only counterpart being, at that time, the Committee of Imperial Defence, the expenses of which amounted in that year to £6,230 and which was borne on the Treasury Vote.

The Cabinet Secretariat became a permanent institution in November 1919, when the Cabinet decided to continue in peace time the organisation created during the war, under which the War Cabinet was provided with a Secretary and a small staff for recording the proceedings of meetings and for carrying out various duties in connection with Cabinet proceedings generally.

The Cabinet Offices at the present time comprise three main branches :—

1. Cabinet Secretariat.
2. Committee of Imperial Defence.
3. War History Section.

Of these, the Cabinet Secretariat, which constitutes the major part of the Office, now performs secretarial duties for the Cabinet itself, for Committees of the Cabinet and for various Conferences, international and otherwise, in which the Cabinet is chiefly concerned. It also has certain duties in connection with the League of Nations.

The following table shows the comparative numbers of staff of the whole Cabinet office :—

| August 1, 1921. | April 1, 1922. |
|---|---|
| 189 | 165 (estimated). |

This staff of 165 is allocated as follows :—

| | Cabinet. Secretariat. | Committee of Imperial Defence. | War History Section. |
|---|---|---|---|
| Administrative ... ... | 11 | 4 | 16 |
| Clerical ... ... ... | 47 | 6 | 8 |
| Typists ... ... ... | 22 | — * | 1 |
| Messengers ... ... ... | 20 | 3 | 5 |
| Charwomen ... ... ... | 14 | 2 | 6 |
| Total ... ... | 114 | 15 | 36 |

* Provision made under Cabinet Secretariat.

We recognise that the amount of work devolving upon this Office is still very heavy, and the Treasury, who have carefully reviewed the whole staff from time to time, are satisfied that it is not in excess of what is required. In these circumstances we make no recommendation. There will be a saving of £1,342 due to the reduction made since the Provisional Estimate of July last.

## Chapter IV.

### TREASURY AND SUBORDINATE DEPARTMENTS.

CLASS II (4).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 106,086 |
| 1921/22 Net Estimate ... ... ... | 385,388 |
| 1922/23 Provisional Net Estimate ... | 305,931 |

The Provisional Estimate for 1922/23 has since been increased to £316,000—an increase of £10,069.

This Vote, besides the Treasury, includes the Office of the Parliamentary Counsel, Statute Law Committee, Paymaster-General (London), the Exchequer Office (Scotland), Paymaster-General (Ireland) and Teachers' Pension Office (Ireland).

The following table shows the comparative numbers of staff employed in all these Departments :—

| | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| (*a.*) Permanent ... .. | 217 | 367 | 531 |
| (*b.*) Temporary ... ... | 53 | 350 | 190 |
| Total ... ... | 270 | 717 | 721 |

1. *Treasury.*

The staff of the Treasury for the year 1921/22 number 381 as compared with 148 in 1914. The figure of 381, however, includes 8 Ministers, 8 "Accountants for the Public Service" (who are on the Treasury Vote merely as a matter of convenience), 13 Treasury officials seconded for other service and 104 messengers and charwomen, whose duties extend over the Treasury Office, the official residences in Downing Street and the offices of the Chief Whips and Parliamentary Counsel.

The number of Treasury officials engaged on Treasury work proper is thus 248. Of this number, there are 92 Higher Division Officials to exercise the whole of the Departmental functions comprised in the term "Treasury Control." This number of 92 compares with 37 in 1913/14. The addition of approximately 148 per cent. to the pre-war strength of the Higher Division staff of the Treasury is due to the great increase in volume and complexity of the financial and administrative business, a fact which is illustrated by the comparative figures of the Budget which, in 1914/15, was £207 millions and in 1921/22 is £1,216 millions. Similarly, the Debt which, in 1914/15, was £706 millions, in 1921/22 is £7,633 millions.

We are satisfied that the Treasury staff is under constant review and it is estimated that in April 1922 the number of Higher Division staff engaged on Departmental work will have decreased from 92 to 81. In considering the staff of the Treasury, we have borne in mind that it is constantly and rightly looked upon as the source from which officials with special experience may be drawn to undertake special work outside the Treasury, as occasion demands. In so comparatively small an Office, this is an important consideration and we find that, at the present time, 13 officers, of whom 11 are Higher Division staff, are seconded for such special service.

In these circumstances, we make no recommendation, as we are of opinion that nothing should be done to detract from the efficiency of the Treasury machine for controlling expenditure and effecting economies.

2. *Paymaster-General's Office.*

The following table gives a comparison of the numbers of the staff :—

| | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| (*a.*) Permanent ... ... | 56 | 47 | 205 |
| (*b.*) Temporary ... ... | 9 | 212 | 64 |
| Total ... ... | 65 | 259 | 269 |

The functions of the Paymaster-General are of the same nature as before the war, but the amount of the work has very greatly increased. The Paymaster-General either pays or imprests to other officers for payment all moneys for public service which are not provided in the Votes for Revenue Departments or issued for National Debt. The increased staff is due to the following factors :—

(1) Payment of disability pensions awarded by the Ministry of Pensions to Officers, Warrant Officers, Nurses and their dependents. This work, which is entirely new, occupies some 40 per cent. of the staff, but it is gradually declining.

(2) An increase of 30 per cent. in the number of Navy, Army and Air Force "Service Pensions." There are at present almost 22,000 of these pensions.

(3) An increase in the number of Civil Effective Payments (*i.e.*, separate individual payments) from 377,000 in 1913/14 to 1,436,000 in 1920/21.

(4) An increase in the income tax assessment work.

We realise that the work performed is very heavy at the present time, but it is of a kind which will decline as the numbers of the Civil Service as a whole are reduced and as the awards of the Ministry of Pensions decrease, and we think that the numbers of the staff should be kept constantly under review.

The remaining sub-Departments do not appear to us to call for special comment, but we are informed that under the settlement with the Irish Free State the cost of the Paymaster-General (Ireland), estimated at £6,042, and the Teachers' Pension Office (Ireland), estimated at £2,908 may be removed from this Vote, but as this is still uncertain we do not include it as a reduction.

As stated at the outset of this Report, there will be an increase of 10,069 over the Provisional Net Estimate of July last.

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## Chapter V.

### HOME OFFICE.

CLASS II (5).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 255,009 |
| 1921/22 Net Estimate ... ... ... | 471,446 |
| 1922/23 Provisional Net Estimate ... | 412,371 |

The Provisional Estimate for 1922/23 has since been reduced to £375,857—a saving of £36,514.

1. The following table gives the comparative number of staff employed :—

| August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|
| 701 | 967 | 909 |

These figures include the Inspectorate as well as the Headquarters Staff at the Home Office.

The increase of staff by 208 as compared with 1914 is mainly accounted for—

| | Officers required. |
|---|---|
| By extending duties of Alien Immigration Control ... ... ... ... ... | 245 |
| By extending duties of Police Administration | 27 |
| Other new duties ... ... ... ... | 21 |
| | 293 |
| *Less* Officers transferred to Mines Department ... ... ... | 107 |
| Net Increase ... ... | 186 |

In our examination of the Estimates, we have found two items on which we wish to comment : Alien Immigration Control; and Anthrax Disinfecting Station.

2. *Alien Immigration Control.*

The cost of this service has increased since 1914 from £12,000 to approximately £100,000 in the current year. The estimated cost for 1922/23 is £74,000. This control, which is designed to exclude alien immigrants who are destitute, diseased or otherwise undesirable, is a matter of policy. If it were abolished, the saving of expense is obvious. As regards the results which it achieves, we find that during the twelve months ending the 31st December last, 294,569 alien passengers landed at British Ports, and 1,712 were refused permission to land. Of these, 200 were refused on medical grounds. If it were decided that the cost of this control should be met by a Poll Tax on alien passengers—say, 5*s*.—the revenue therefrom would, on the experience of the last twelve months, be some £73,000 per annum, but in considering this matter, the following classification, which shows the nature and business of the alien passengers who landed last year, is of importance. They are classified as follows :—

| | |
|---|---|
| Residents returning from abroad ... | 60,252 |
| Passengers in transit to other countries | 28,947 |
| Visitors on holiday ... ... ... | 107,310 |
| Visitors on business ... ... ... | 66,789 |
| Foreign Diplomatic and other Missions | 6,584 |
| Seamen ... ... ... ... ... | 13,752 |
| Other passengers ... ... ... ... | 10,395 |

With regard to visitors " on business," it must be remembered that there is a considerable number who make regular journeys to and from this country—sometimes twice a week.

Apart from the political and economic considerations which are involved, we would point out that there are practical difficulties in the way of the imposition of such a Poll Tax. The large majority of these alien passengers come by the cross-Channel service, using a through Railway ticket which, of course, gives no particulars about the passenger. We understand that there is no such difficulty in connection with the Tax which is imposed by the United States of America on alien immigrants. In the latter case, the Steamship Companies are in possession of full particulars

about the passengers whom they book to America, and with the aid of that information, the Companies are able to add the Tax to the price of the ticket.

Apart from these remarks, we make no recommendation on what is essentially a question of policy.

3. *Anthrax Disinfecting Station.*

Under the Anthrax Prevention Act of 1919 a factory has been established at Liverpool for the purpose of disinfecting certain classes of wool, and sums amounting to £35,000 are provided in the Estimates of 1921/22 and 1922/23 to cover working expenses.

Fees are charged for this disinfection, but at the present time only two classes of wool are on the schedule for compulsory disinfection, and the depression in the wool trade and the fall in the price of wool have caused supplies to the Station to fall off very considerably, even though the fees have been temporarily reduced.

The Station was opened early in 1921, and it is estimated that the financial year 1921/22 will show a deficit on working expenses of £5,705. This includes no provision for interest and depreciation on the capital cost of the building and plant, which cost £113,000.

We understand that the Home Secretary has recently considered the future of this Station and is of the opinion that nothing should be done to extend its scope or plant in the present circumstances, as had been suggested, since this would probably result in a further deficit. He does, however, attach considerable importance to the experimental work which is being done and which it is desirable to bring to a degree of success which will induce other nations to adopt similar methods of disinfection. The results of the experiment are, in fact, being awaited by foreign countries, and if successful, it is hoped to obtain an International Agreement on the subject. The Home Secretary is therefore in favour of the Station being kept running on its present basis for a limited period, so that the experiment may proceed and the future course of the wool trade may be gauged more accurately than is possible at present.

In these circumstances, we recommend that the Station should operate for the present, but that its position should be reviewed in four months' time, in order that it may either be closed altogether at the end of six months from now, or continue provided, in the latter case, that its fee revenue is sufficient to cover all expenses and capital charges, or that the full cost is met by a subsidy from the trade in the interest of whom, and its workers, the Station was established.

In considering this Vote, we find that a certain amount of administration cost at Headquarters is incurred in supervising the affairs of the Isle of Man and the Channel Islands, and we

suggest that the present is an appropriate time for the Government to consider the relation of these dependencies to the Exchequer.

4. *Isle of Man.*

This Island enjoys in full the protection of the Forces of the Crown, and its inhabitants possess all the advantages of subjects of the United Kingdom as regards diplomatic and consular privileges abroad. The present position is that the Island makes a statutory annual contribution of £10,000 to the Imperial Exchequer, but, in addition to this, Tynwald (the Legislature of the Isle of Man) has, in the present year, voted an additional special war contribution of £20,000 for a limited period of years, representing payment by annual instalments of a war contribution of £250,000. Before the war, the total revenue of the Island was about £85,000. In 1920/21, it rose to £369,000, and in the present financial year it is estimated to be £321,000. In addition to this revenue, there is the Isle of Man Accumulated Fund, representing the invested surplus of revenue over expenditure for more than fifty years, and the realised surplus each year of revenue over expenditure. This Fund is estimated to stand at the 31st March, 1922, at £333,000, the net amount of the Fund at that date being estimated at £273,000.

Until 1918, revenue was derived entirely from indirect taxation, but since then, there has been an Income Tax at rates varying from 10*d.* in the £ for incomes under £500 to 1*s.* 5½*d.* for incomes over £1,500. This Income Tax, however, produces less than one-fifth of the total revenue. From the foregoing, it will be seen that, whereas the total revenue of the Island has increased from £85,000 to £321,000, or roughly, four-fold, the statutory annual contribution to the Imperial Exchequer is still only £10,000, though this has been supplemented by the special war contribution voted by Tynwald.

We suggest that, in the present circumstances, the Government might think it an appropriate occasion to consider a revision of the amount of annual contribution, and the disposal of part at least of the Accumulated Fund, which, as we have already shown, is estimated to stand at a net amount of £273,000 on the 31st March, 1922. In this connection, we would add that Lord MacDonnell's Committee in 1911 reported that, in their opinion, the balance, which at that time amounted to £78,000, was unnecessarily high.

5. *Channel Islands.*

These Islands make no annual contribution to Imperial revenue, though, like the Isle of Man, they obtain practically the same benefits as though they were part of the United Kingdom. Guernsey and Jersey, however, have each made contributions of £100,000 to the expenses of the war. Though not in any way depreciating the value of these special contributions, as in the case of the Isle of Man, we think that the position calls

for review. The Channel Islands require and raise comparatively little revenue, and are very lightly taxed. In Guernsey there is now an Income Tax of 7*d.* in the £. In Jersey there is at present no Income Tax, and in both Islands the bulk of the revenue is raised by indirect taxation. We suggest that, as in the case of the Isle of Man, the Government might think the present an appropriate occasion on which to consider whether the Channel Islands should not be invited to make an annual contribution for the purpose of relieving the Imperial Exchequer in return for the benefits which the inhabitants obtain.

In this latter connection, we would point out that the cost to Army Votes of troops stationed in the Channel Islands shows the following comparison :—

| | £ |
|---|---|
| 1. Before the War— | |
| (i.) For the Regular Garrison ... | 135,000 |
| (ii.) For the Militia ... ... | 25,000 |
| 2. At the present time— | |
| (i.) For the Regular Garrison ... | 330,000 |
| (ii.) For the Militia ... ... | 35,000 |

## CONCLUSION.

**The suggestions we have made do not enable us to point to a reduction of this Estimate at the present time, but there will, of course, be a saving of £36,514, the amount by which the revised Estimate falls short of the Provisional Net Estimate of July last.**

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## Chapter VI.

### PRIVY COUNCIL OFFICE.

CLASS II (9).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 9,592 |
| 1921/22 Net Estimate ... ... ... | 18,770 |
| 1922/23 Provisional Net Estimate ... | 13,832 |

The Provisional Estimate for 1922/23 has since been increased to £13,901, an increase of £69.

NUMBERS Employed.

| | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| (*a*) Permanent ... ... ... | 51 | 49 | 37 |
| (*b*) Temporary ... ... ... | — | 1 | — |
| Total ... ... ... | 51 | 50 | 37 |

The decrease shown for the 1st April, 1922, is apparent only and is due to the transfer of certain cleaning staff to the Treasury Vote. There is practically no change in the staff of the Privy Council Offices as compared with 1914, though there has been an increase of work owing to the number of Orders in Council which required to be issued under recent legislation, and to the fact that, since 1915, the Judicial Committee has been empowered to sit in two Divisions.

*Revenue from Fees.*

The figures given at the head of this Report show a comparison of the net expenditure. The following table gives a comparison of the gross expenditure and the Appropriations-in-Aid from Judicial fees :—

| —— | 1913/14. | Estimate 1921/22. | Provisional Estimate 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Gross Expenditure ... ... ... | 12,077 | 22,770 | 17,832 |
| Appropriations-in-Aid ... ... | 2,485 | 4,000 | 4,000 |
| Net Expenditure ... | 9,592 | 18,770 | 13,832 |

Although, as will be seen from this table, the revenue from fees has considerably increased since 1913/14, we suggest that there might be a further increase in the scale of fees, seeing that an increased scale, amounting to roughly 50 per cent., has already been adopted in the fees of the Supreme Court.

As the result of the revised Estimate there will be an increase of £69 on the Provisional Net Estimate of July last.

## Chapter VII.

### MINT.

CLASS II (26).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 143,374 |
| 1921/22 Estimate ... ... ... | 383,160 |
| 1922/23 Provisional Estimate ... ... | 275,250 |

1. The above table represents the gross expenditure.

In the current and the forthcoming financial years, the Estimates of the Mint show Appropriations-in-Aid (part of payments for coin) amounting to £10 less than the gross expenditure. After setting these Appropriations-in-Aid against the gross expenditure, the Mint passes excess receipts to the Exchequer in respect of the balance of payments for coin. The figures of such excess receipts paid to the Exchequer are :—

| | £ |
|---|---|
| 1913/14 ... ... ... ... | 708,216 |
| 1921/22 Estimate ... ... ... | 2,016,850 |
| 1922/23 Estimate ... ... ... | 1,724,760 |

2. We understand that the period since the Armistice has been a time of great difficulty for the Mint. Machinery required thorough overhauling. Colonial demands for coin had accumulated and the " fine content " of British silver coinage has been changed, involving much experiment and recoinage. Consequently, the incidental expenses of manufacture have shown a very great increase. Whereas in 1913/14 they amounted to £6,910, in the current year they are estimated at £125,000 and in the forthcoming year at £95,000.

3. The following table shows the increase in the numbers of staff since 1914.

| | August 1, 1914. | | | August 1, 1921. | | | April 1, 1922. | | |
|---|---|---|---|---|---|---|---|---|---|
| | Permanent | Temporary. | Total. | Permanent | Temporary | Total. | Permanent | Temporary. | Total. |
| Administrative and Clerical. | 37 | 1 | 38 | 39 | 8 | 47 | 42 | 7 | 49 |
| Industrial ... | 192 | 47 | 139 | 179 | 211 | 390 | 185 | 179 | 364 |
| Total ... | 229 | 48 | 277 | 218 | 219 | 437 | 227 | 186 | 413 |

Owing to changed conditions, however, comparison with 1913/14 would be fallacious.

The staff are engaged on operations which are essential in the changed position of silver, and we recognise that the profit which results to the Exchequer from these operations must involve increase in the expenditure of the Mint until recoinage is complete.

4. We have visited the Royal Mint and have examined the methods by which the daily progress of the work is kept under review.

The premises are antiquated, and consequently it is difficult to obtain the maximum of efficiency. Much of the work is " piece-work," and as such is capable of statistical measurement. We have found that the present daily and weekly " operating returns " are sufficiently comprehensive to enable the Superintendent to maintain an even flow of work in each shop and to gauge the daily output.

We have no reason to think that the output is not up to the full capacity of the numbers of staff employed, but we are of opinion that a closer check on the efficiency of the seven individual shops would be secured if a " return " (either weekly or four-weekly) were compiled for each shop, showing the " output in units " and " man hours paid for."

For the purpose of reviewing the work of the establishment as a whole, we recommend that the total output, as represented

by good coin, should be converted into common units by applying conversion factors to the number of coins of each denomination, regard being had to the fact that in the case of a portion of the output the whole of the operations are not carried out in the Royal Mint, as a quantity of bars of metal and "blanks" are obtained from outside works. This would enable the output of good coin during the four-weekly periods to be compared with the man-hours in the same form as that suggested for individual shops, and in addition the total wages paid out and cost of wages per units should be given.

The conversion factors to be applied to the numbers of coins of the various denominations should be on the basis of the cost of labour. This would necessitate a careful costing analysis for one or more periods, but, when once obtained, the amount of clerical labour involved in compiling the return would be very small.

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## Chapter VIII.

### CIVIL SERVICE ARBITRATION BOARD.

CLASS II (21).

| | |
|---|---|
| 1913/14 ... ... ... ... | Non-existent. |
| Estimate 1921/22 ... ... | 2,524 |
| Provisional Estimate 1922/23 ... | 1,886 |

1. *Cost of Board.*

Of the Estimate for 1921/22, salaries, wages and allowances amount to £2,444, and travelling and incidental expenses to £80. If to this were added the cost of Allied Services, which are charged to other Votes in respect of accommodation, fuel and light, rates, stationery, printing and postage, the total cost for the current year is £3,969.

The Board consists of a Chairman and two members. Of these, the Chairman and one member are unpaid, and the other member receives a fee of 5 guineas per meeting, up to a maximum of £525 per annum. The Secretary is an official of the Ministry of Health, and receives a special allowance of £200 per annum in respect of his duties with the Board. In addition, there are three clerks, two typists and two messengers.

2. *Origin and Functions of the Board.*

The Board was set up in February 1917 "to deal, by way of conciliation and arbitration, with questions arising with regard to claims for increased remuneration made by classes of employees in Government Departments other than classes of employees who are engaged wholly or mainly by way of manual labour of a kind common to Government and other employment." At present the Board is not empowered to entertain applications for permanent increases of salary from classes of officers with salaries

of £500 or over, or placed on scales of salary rising to £500 and over.

It is open to either party to a dispute to go to the Board independently of the consent of the other, *i.e.*, arbitration is compulsory if either party desires it. It was set up at a time when war conditions had dislocated the Civil Service, and when there was no established machinery of conciliation and arbitration, but it has now passed from the position of being a war-time expedient and has come to be regarded as a permanent body.

Whatever justification there may have been in time of war for setting up such a body, whose awards are final and who can thus authorise expenditure without the authority of the Chancellor of the Exchequer, we are very strongly of opinion that the main justification for the existence of the Board has disappeared with the institution of the Whitley Councils in the Civil Service. It has now become the established practice in the Civil Service to consider on these Whitley Councils questions of remuneration, so far as they relate to posts carrying salaries not exceeding £500 per annum, and, in these circumstances, we are of opinion that the need for a standing Arbitration Board no longer exists.

### CONCLUSION.

**We therefore suggest that the Board and, with it, compulsory arbitration, should be abolished. If this suggestion is adopted, the saving in 1922/23 will be £1,886, and there will be consequential savings on other Votes in respect of overhead charges.**

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## Chapter IX.

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### OFFICE OF THE SECRETARY FOR SCOTLAND.

CLASS II (35).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 16,276 |
| 1921/22 Net Estimate ... ... ... | 66,481 |
| 1922/23 Provisional Net Estimate ... | 53,775 |

The Provisional Estimate for 1922/23 has since been reduced to £51,211—a saving of £2,564.

The following table gives the comparative numbers of staff employed :—

| | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| (*a*) Permanent ... ... ... | 50 | 55 | 63 |
| (*b*) Temporary ... ... ... | 5 | 8 | 2 |
| Total ... ... ... | 55 | 63 | 65 |

The Scottish Office occupies a special position among Departments. Its direct administration work is comparatively small and its functions are largely concerned with the supervision and co-ordination with the Central Government of the Departments in Edinburgh. This liaison work covers a very wide field of business and is of a kind which requires an unusually large proportion of higher posts.

Since 1913/14 a great variety of new duties have devolved upon the Office, especially those arising from the passing of the Police (Scotland) Act, 1919; Representation of the People Acts, 1918 and 1921; the Temperance (Scotland) Act; the Licensing Act and the Land Settlement (Scotland) Act, 1919.

We do not see any prospect of reducing the staff.

There is one item, however, in this Estimate to which we call attention, viz., the provision which is asked for the maintenance of a "Drifter" Service, mainly serving various small ports in Skye and on the west coast of Rossshire.

This service was instituted during the war at a time when the usual steamer services were cut down, and it is now administered by the Scottish Office at an annual cost of between £1,000 and £2,000 per annum.

In view of the fact that other steamer services are now available, we think that this "Drifter" Service, subsidised by the Exchequer, should be withdrawn, the Estimate being reduced accordingly by £1,500.

### CONCLUSION.

**In view of the suggested discontinuance of the "Drifter" Service, we are of opinion that this Estimate should be reduced from £53,775 to £52,275, a saving of £1,500, to which must be added the saving of £2,564, the amount by which the Scottish Office have reduced their Provisional Estimate of July last. The total reduction would therefore be £4,064.**

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## Chapter X.

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## SCOTTISH BOARD OF HEALTH.

CLASS VII (3).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 652,392 |
| 1921/22 Net Estimate ... ... ... | 3,375,999 |
| 1922/23 Provisional Net Estimate ... | 2,397,399 |

1. It must be pointed out that the Audited Expenditure for the year 1913/14 quoted above refers only to the money provided by Parliament for the salaries and expenses of the National Health

Insurance Commission (Scotland); the Local Government Board for Scotland, and the Highlands and Islands (Medical Services) Board, and for services administered by those Departments. The Estimates for 1921/22 and 1922/23 refer, of course, to the Scottish Board of Health, which was established on the 1st July, 1919, with the powers formerly assigned to the Local Government Board for Scotland and to the Scottish Insurance Commission. Shortly afterwards, it also took over the powers and duties of the Highlands and Islands (Medical Services) Board and certain powers of the Scottish Education Department and the Privy Council.

In general, the policy and practice of the Scottish Board of Health follow those of the English Ministry of Health, on which we have already made recommendations in our First Interim Report.

2. The following table gives a comparative analysis of the main heads of the Audited Expenditure for 1913/14 and the Estimate for 1921/22, the Provisional Estimate for 1922/23 :—

| —— | Audited Expenditure, 1913/14. | Estimate, 1921/22. | Provisional Estimate, 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Administration ... ... ... | 73,097 | 273,825 | 213,025 |
| Housing Grants ... ... ... | — | 2,246,724 | 1,077,724 |
| Miscellaneous Grants... ... ... | 92,024 | 705,650 | 583,650 |
| Statutory Contribution (National Health Insurance Acts) and Special Grants for National Health Insurance. | 487,271 | 1,196,700 | 1,066,200 |
| Relief of Dependents of Repatriated Russians. | — | 7,250 | 5,800 |
| Gross Total ... ... | 652,392 | 4,430,149 | 2,946,399 |
| *Less* Appropriations-in-Aid ... | Nil | 1,054,150 | 549,000 |
| Net Total ... ... | 652,392 | 3,375,999 | 2,397,399 |

The numbers of staff employed show the following comparison :—

| August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|
| 473 | 602 | 580 |

3. *Revised Estimate.*

The Scottish Board of Health have now revised their Provisional Estimate of last July in the light of the recommendations which we have made on the Ministry of Health Estimates in Part II, Chapter 2, of our First Interim Report. It is not necessary, therefore, for us to analyse and criticise in detail the figures of the Provisional Estimate, but we proceed instead to show how the reductions which are now proposed in the revised Estimate compare with the Estimates for 1921/22 and with the Provisional

Estimate of July last for 1922/23. The following table shows the comparative figures and results :—

| — | (A) Estimate, 1921/22. | (B) Provisional Estimate, 1922/23. | (C) Revised Estimate, 1922/23. | (D) Increase or Decrease of (C) on (B). | (E) Percentage of Increase or Decrease of (C) on (A). |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | |
| Administration ... ... | 273,825 | 213,025 | 201,582 | — 11,443 | Dec. 26% |
| Housing Grants ... ... | 2,246,724 | 1,077,724 | 896,320 | — 181,404 | „ 60% |
| Miscellaneous Grants ... | 705,650 | 583,650 | 552,620 | — 30,030 | „ 22% |
| Statutory Contribution and Special Grants for National Health Insurance. | 1,196,700 | 1,066,200 | 827,750 | — 238,450 | „ 31% |
| Relief of Dependants of Repatriated Russians. | 7,250 | 5,800 | 4,500 | — 1,300 | „ 38% |
| Gross Total ... | 4,430,149 | 2,946,399 | 2,482,772 | — 462,627 | „ 44% |
| *Less* Appropriations-in-Aid. | 1,054,150 | 549,000 | 912,298* | 363,298 | — |
| Net Total ... | 3,375,999 | 2,397,399 | 1,570,474 | — | Dec. 53% |
| | | | Reduction of ... | 826,925 | |

* The increase in Appropriations-in-Aid is mainly due to further receipts of £350,000 from sale of housing material.

It will be seen from the above table that the Revised Estimate shows a reduction of £826,925 as compared with the Provisional Estimate and shows a reduction of 53 per cent. as compared with the Estimate of 1921/22.

With regard to this Revised Estimate, which represents the application of the recommendations which we previously made on the Ministry of Health Estimates, we only wish to comment on the following matters :—

4. *Housing.*

The drastic cut made in July last in the Housing programme extended also to Scotland, the latter's share of Local Authority Housing Scheme houses being cut down to 25,550 as against England's 176,000. The following table shows a comparison of the figures for Housing Grants as estimated for 1921/22, as provisionally estimated for 1922/23, and as they now appear in the Revised Estimate for 1922/23 :—

| | Estimate, 1921/22. | Provisional Estimate, 1922/23. | Revised Estimate, 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Gross Total ... ... | 2,246,724 | 1,077,724 | 896,320 |
| Appropriations-in-Aid (Refund by Local Authorities in respect of purchase of housing material, &c.) | 1,048,000 | 542,500 | 893,935 |
| Net Total ... ... ... | 1,198,724 | 535,224 | 2,385 |

The Scottish Estimate of their deficit on Local Authorities' Housing Schemes in 1922/23 is £300,000 only as against the English figure of £10,000,000. This appears to be very favourable to the Scottish schemes when compared with the English figure on a population basis. The explanation is, however, that owing to the greater difficulties of securing labour and materials, the progress of building in Scotland has been very much slower than in England and whereas the subsidy to Local Authorities in England will practically reach its maximum in 1922/23, in Scotland the maximum deficit will not be reached till 1923/24, and possibly not till the year after that. Further, Local Authorities in Scotland have their accounts made up to 15th May. They receive payments on account from time to time, but any final balance due to them in respect of their financial year is paid in the next Government financial year. We fear, therefore, that the full deficit in Scotland is only postponed, but, on the other hand, the slow rate of building in Scotland will react favourably on the total deficit in that a much larger proportion of houses will be constructed during the period of falling prices than in the case of England.

5. *Public Health Services.*

Under this heading are included Grants for various Services, as in the case of the Ministry of Health. The following table shows the recurrent expenditure :—

| Description of Service. | Estimated Scottish Grants in 1921/22. | Scottish Board of Health Provisional Estimate, 1922/23. | Scottish Board of Health Revised Estimate, 1922/23. | Committee's Recommendations for 1922/23. | Scottish Proportion, viz., 11/80ths of what Committee have Recommended for England and Wales. |
|---|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. | 6. |
| | £ | £ | £ | £ | £ |
| Tuberculosis (Maintenance). | 299,000 | 344,000 | 280,000 | 269,000 | 165,000 |
| Tuberculosis (Capital)— | | | | | |
| 1. Sinking Fund | 62,224 | 68,440 | 68,440 | 68,440 | 49,000 |
| 2. Grant ... | — | — | 24,000 | Nil | |
| Maternity and Child Welfare. | 100,000 | 111,000 | 120,000 | 120,000 | 143,000 |
| Venereal Diseases | 46,000 | 63,000 | 65,000 | 65,000 | 58,000 |
| Welfare of the Blind. | 20,000 | 16,000 | 14,000 | 14,000 | 12,000 |
| Port Sanitation ... | 7,000 | 7,000 | 7,000 | Nil | Nil |
| Total ... | 534,224 | 609,440 | 578,440 | 536,440 | 427,000 |

We do not, however, think it would be fair to rely solely on a fixed proportion of the Grants for England and Wales in arriving at the amount of the Grants for Scotland for these Public Health Services, because local circumstances and the amount of progress made in recent years differ in the two countries and we think that each of the Services should be dealt with individually.

6. *Tuberculosis (Maintenance and Capital).*

(a) *Maintenance.*—The total provision, actual and prospective, of beds in England and Wales for the treatment of Tuberculosis is 22,750. The comparable figure for Scotland is 4,688. The English figure represents a drastic reduction of the provision agreed between the Treasury and the Ministry of Health in February, 1921. The Scottish Board of Health, on the other hand, appears to have made no corresponding reduction. It is admitted that Tuberculosis is more prevalent in Scotland than in England and Wales, and consequently, we understand the Treasury allowed a more generous margin to Scotland than in the case of England. On the other hand, the actual number of beds available in Scotland is higher than the Treasury contemplated.

We recommend that the grant for Scotish Tuberculosis maintenance should be limited to £269,000, which is the latest Estimate of the expenditure in 1921/22 (excluding non-recurrent items), and this is much more than the Grant would be on the proportionate basis of England and Wales.

(b) *Capital.*—A provision of £24,000 is asked for in the Revised Estimate, in respect of capital expenditure on Sanatoria. We would, however, point out that under the Finance Act, 1911, a sum of £1,500,000 was earmarked for Sanatoria Capital Grants in the Consolidated Fund. Of this sum, Scotland's share amounted to £158,000. We are informed that Scotland still has in hand sufficient to meet such capital expenditure on Sanatoria as is likely to be incurred in 1921/22 and 1922/23. In these circumstances, we recommend that the Scottish Board of Health should meet their capital expenditure out of the remaining balance which they have in hand, and that the additional Grant of £24,000 should be withheld.

| | £ |
|---|---|
| 7. *Maternity and Child Welfare* ... | 120,000 |
| *Venereal Diseases* ... ... ... | 65,000 |
| *Welfare of the Blind* ... ... | 14,000 |

We recommend that these grants be allowed.

8. *Port Sanitation:* £7,000.

As in the case of a similar item in the Ministry of Health Estimates, we suggest that as this expense was, until recently, borne by the locality, the Exchequer Grant should cease.

9. *Constitution of Board*

The present constitution of the Scottish Board of Health is made up of the following paid members:—

1 Chairman,
1 Member,
2 Medical Members,
1 Legal Member,
1 Woman Member,

making 6 in all, with salaries ranging from £1,000 to £1,800 per annum, together with bonus in all cases. We are not sufficiently acquainted with the duties of the Board to be able to make a recommendation on this matter, but it has been suggested to us that the present number of members is excessive and might be reduced to 3, viz., a Chairman and 2 other administrative members. Any such change would require amendment of the Scottish Board of Health Act, 1919, but nevertheless we suggest that the matter should be dealt with.

## CONCLUSIONS.

**As a result of our consideration, we are of opinion that:—**

**The revised Estimate shows a proper reduction in accordance with the principles contained in our recommendations on the Ministry of Health Estimates in our First Interim Report, but that further reductions should be made in the case of certain grants for Public Health Services, with a consequent further**

saving of £42,000. The reductions on the Provisional Estimate for 1922/23 will therefore be:—

| | £ |
|---|---|
| 1. Reductions proposed by the Scottish Board of Health to conform with the recommendations in our First Interim Report on the Ministry of Health ... ... ... ... | 826,925 |
| 2. Further reductions as recommended above ... | 42,000 |
| Total Reduction ... ... ... | 868,925 |

The Provisional Net Estimate will thus be reduced to £1,528,474.

# PART XII.—OFFICE OF WORKS AND PUBLIC WORKS AND BUILDINGS.

## Chapter I.

### OFFICE OF WORKS.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 142,834 |

| | Gross. £ | Net. £ |
|---|---|---|
| 1921/22 Estimates ... ... | 732,900 | 582,900 |
| 1922/23 Provisional Estimates | 589,500 | 559,500 |
| 1922/23 Revised Estimates ... | 553,500* | 538,500* |

1. The gross reduction shown in the Revised Estimates for 1922/23, as compared with the Estimates for 1921/22, is £179,400, of which £72,000 is due to fall of bonus and £76,000 to decrease of the staff employed on the house-building work performed by the Department as agents for certain Local Authorities under the Government Housing Scheme. The curtailment of this work has, however, reduced the estimated receipts from the charges made for overhead expenses from £150,000 to £15,000, so that the net reduction is £44,400

2. The staff borne on this Vote compares as follows :—

| | August 1, 1914. | August 1, 1921. | April 1, 1922 (Estimated). |
|---|---|---|---|
| Permanent ... ... | 613 | 731 | 992 |
| Temporary ... ... | 157 | 1,082 | 627 |
| Total ... ... | 770 | 1,813 | 1,619 |

The main increases have been in the following branches :—

| | August 1, 1914. | April 1, 1922. |
|---|---|---|
| Accounts Branch ... ... ... | 121 | 250 |
| Directorate of Works ... ... | 417 | 782 |
| Directorate of Lands and Accommodation ... ... ... ... ... | | 127 |

This staff administers the Votes for Public Works and Buildings dealt with in the following chapter. This expenditure is governed by the requirements of other Departments, subject to the control of the Treasury, and the increase in the staff of the Department and its expenditure, therefore, reflects the expansion of the Public Service which has taken place during and since the War.

* Allowing for the transfer from the Public Buildings Vote to this Vote of Stores Staff costing £3,500.

We are informed that the Directorate of Lands and Accommodation is still fully occupied with the changes and concentrations required as temporary staffs diminish, and that the Maintenance Staff of the Directorate of Works has been strengthened to enable a stricter scrutiny to be applied to Departmental demands.

While the work of the Department will fall with the diminution of Government activities, the staff cannot be reduced *pari passu* with the reduction in Government staffs generally, owing to the work involved in concentrating the diminishing staffs in as few buildings as possible and disposing of the accommodation vacated.

## CONCLUSION.

**In view of the foregoing consideration, we are not in a position to recommend any reductien of the revised Estimate of £538,500, which compares with the Provisional Estimate of £559,500, but we consider that the staff of the Department should be kept under constant review and that substantial further reductions should be possible by the beginning of the financial year 1923/24.**

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## Chapter II.

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## PUBLIC WORKS AND BUILDINGS.

TABLE of Votes for Public Works and Buildings under the Office of Works.

| —— | Audited Expenditure, 1913/14. | Net Estimate, 1921/22. | Provisional Net Estimates, 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Royal Palaces ... ... ... | 65,336 | 131,600 | 136,600 |
| Osborne ... ... ... ... | 9,760 | 19,150 | 16,700 |
| Royal Parks and Pleasure Gardens | 122,080 | 317,550 | 235.400 |
| Houses of Parliament Buildings... | 55,580 | 150,900 | 127,000 |
| Miscellaneous Legal Buildings, Great Britain. | 64,510 | 97,350 | 89,650 |
| Art and Science Buildings, Great Britain. | 92,721 | 306,000 | 201,900 |
| Diplomatic and Consular Buildings | 87,870 | 160,000 | 125,200 |
| Revenue Buildings ... ... | 640,833 | 2,141,450 | 1,607,500 |
| Labour and Health Buildings, Great Britain. | 216,665* | 1,442,350 | 988,100 |
| Public Buildings, Great Britain ... | 751,574* | 4,197,100† | 2,979,900† |
| House Building ... ... ... | — | 200,000 | 100,000 |
| Housing Schemes ... ... ... | — | 143,300 | 10,800 |
| War Memorials ... ... ... | — | 20,000 | 25,000 |
| Totals ... ... | 2,106,929 | 9,326,750 | 6,643,750 |

* Adjusted figures for 1913/14.

† Including War Services 1921/22, £1,021,250 ; 1922/23, £550,000.

1. As indicated in our Report on the Office of Works, the bulk of the services provided in these Votes is undertaken on behalf of other Departments to meet their requirements, subject to Treasury control. When the Provisional Estimates were framed full particulars of these requirements for 1922-23 had not been obtained, and the Estimates were, therefore, compiled upon a rationing basis equivalent, on the whole, to two-thirds of the current year's provision. Since that date examination of the detailed requirements has enabled further reductions to be effected, particularly as regards New Works, and the following revised figures are now put forward :—

| | Net Estimates. | Increase or Decrease as compared with Provisional Estimates. |
|---|---|---|
| | £ | £ |
| Royal Palaces ... ... | 120,400 | − 16,200 |
| Osborne ... ... | 18,850 | + 2,150 |
| Royal Parks ... ... | 219,600 | − 15,800 |
| Houses of Parliament Buildings ... ... | 118,350 | − 8,650 |
| Miscellaneous Legal Buildings ... ... | 89,000 | − 650 |
| Art and Science Buildings ... ... ... | 384,400 | +182,500 |
| Diplomatic and Consular Buildings ... ... | 115,800 | − 9,400 |
| Revenue Buildings ... | 1,489,250 | −118,250 |
| Labour and Health Buildings ... ... | 911,100 | − 77,000 |
| Public Buildings ... | 2,579,100 | −400,800 |
| House Building ... | 100,000 | — |
| Housing Schemes ... | 52,770 | + 41,970 |
| War Memorials ... | 2,500 | − 22,500 |
| Net Total ... | 6,201,120 | −442,630 |

GENERAL.

The main items which compose the foregoing total are as follows :—

| | £ |
|---|---|
| New Works (exclusive of Housing Schemes) ... ... ... ... | 1,391,463 |
| Maintenance ... ... ... ... | 1,922,630 |
| Rentals ... ... ... ... ... | 1,115,005 |
| Fuel, Light and Water ... ... | 1,006,220 |
| Furniture ... ... ... ... | 355,415 |

2. *New Works.*

Approximately half this provision is for the completion of works in progress. The only considerable items for new permanent buildings are :—

| | £ |
|---|---|
| (*a*) New Spirit Building at the Natural History Museum ... ... ... | 39,500 |

This building is being provided to avoid serious risk of fire to the main building, as well as to provide accommodation for collections dangerously overcrowded. £34,500 of the total amount is a re-vote of provision already made but not expended.

| | £ |
|---|---|
| (*b*) New Science Museum ... ... ... | 36,500 |

This building, which was urgently needed to relieve congestion in the Science Museum, was partially erected under a pre-war contract, and the reinforced concrete skeleton structure is in danger of serious deterioration through exposure to the weather. It is proposed to complete a section of the building at an estimated cost of approximately £107,000 spread over the next three years. The Science Museum will then vacate a portion of the Imperial Institute in which it is proposed to accommodate the Imperial War Museum, thus saving a rent of £25,000 a year now paid by that Museum for its premises at the Crystal Palace. This arrangement, besides avoiding an increase of this rent on the expiration of the present lease in 1924, should enable additional revenue to be obtained by the Museum from admission fees

| | £ |
|---|---|
| (*c*) New Post Office Buildings ... ... | 146,708 |
| In adition to Minor Post Office Works | 54,725 |

We are informed that the proposed new works to be commenced in the year are confined to cases in which new accommodation has been seriously needed for many years and cannot be postponed without detriment to the work of the Post Office as a revenue earning undertaking.

| | £ |
|---|---|
| (*d*) Inland Wireless Stations ... ... | 34,000 |

The above consideration does not appear to apply to this item, and we think that it might be omitted, with the exception of £4,000 which is required to complete work in progress.

No provision has been made for buildings in connection with the Imperial Wireless Chain, to which reference is made in our Report on the Post Office. If this scheme is proceeded with in 1922/23 an expenditure of £200,000 might be involved.

A provision of £257,000 is proposed for the provision of temporary Employment Exchange accommodation, £82,000 being required to complete work in progress. We are informed that

no permanent buildings are contemplated and that the policy is to provide temporary buildings only where hired accommodation is found to be unsuitable or difficult to obtain. We understand, however, that the provision of temporary hutments would only be more economical than hirings if they are likely to be required for about ten years. In view of the uncertainty as to the future of the Employment Exchanges we think that hirings should be resorted to wherever at all possible, and that the proposed provision might, therefore, be reduced by at least £50,000.

3. *Maintenance.*

The following comparison of expenditure on Government buildings in Great Britain indicates that steps have already been taken to restrict the expenditure under this head, regard being had to the fact that the work for which the Department is now responsible is estimated to be more than 100 per cent. in excess of the liability in 1913/14 :—

| | £ |
|---|---|
| Provision for 1913/14 ... ... ... | 506,544 |
| Provision for 1913/14 based on estimated increased cost of maintenance during 1922/23 ... ... ... ... ... | 1,196,813 |
| Provision in revised Estimates 1922/23 | 1,877,430 |

Detailed evidence has been supplied to us showing that reduced standards of engineering and building maintenance have been adopted.

We think that the Department is actively pursuing economies and we do not suggest any further reduction of the revised standards. In view however of the continued tendency of prices to fall and of the need for economy, we think that a further overall reduction of, say, 5 per cent. might be made on the total maintenance provision in these Votes.

4. *Rentals.*

Systematic inspection has been made of the accommodation in London with the result that the superficial area per head has been reduced from 100 square feet in 1913/14 to 85 square feet in 1921, and in spite of the substantial increases in rents the annual cost per head of rented accommodation is less than in 1914. This inspection is being extended as the staff available permits, to the Provinces, where, excluding buildings to which the standard is inapplicable, the average is now 98 square feet per head. We are informed that the application of a standard of 80 square feet per head to clerical staffs in London and the country generally would produce an ultimate saving of nearly £200,000 a year, and we recommend that steps should be taken to secure this concentration at the earliest possible date.

Arrangements are also being considered for the housing of Government staffs wherever possible in the suburban areas rather than in the centre of London, *e.g.*, the Ministry of Pensions building at Acton. Until, however, the approximate normal staffs of Government Departments have been fixed, the question of further decentralisation cannot be effectively dealt with.

The recommendations which we have made elsewhere in our Reports, if adopted, should effect a substantial reduction in the accommodation required for Departmental staffs. Time is, however, required for the concentration of the remaining staffs and the surrender of vacated premises, and any savings obtained in 1922/23 would, we understand, be offset in that year by the expenditure on removals and dilapidations.

In these circumstances we do not recommend any reduction of the provision proposed under this head.

5. *Fuel, Light and Water.*

The restrictions imposed during the war upon the consumption of fuel are still in force in Government buildings. In particular, Government buildings in London have been given a definite rationed allowance of fuel against which the records of consumption are checked and it is considered that the allowance now given is the minimum attainable without involving hardship or loss of efficiency. No immediate fall can be expected in the charges for lighting, and additional charges for water will result from the increased rates imposed by the Metropolitan Water Board under an Act of last Session.

In these circumstances it would not appear to be possible to reduce this item.

6. *Furniture.*

Economies are being effected by standardisation and by reduction in the variety and quality of furniture issued to departmental grades. More rigorous scrutiny is also applied to departmental requisitions, and visits of inspection are made to Government Departments with the object of withdrawing into store furniture not actually in use. The cost of the standard furniture supplied to each departmental grade is approximately the same as pre-war in spite of the fact that current prices have increased at least 100 per cent. Beyond emphasising the importance of scrutinising departmental requisitions and maintaining a uniform standard of supplies, we make no recommendation.

7. *Staff.*

The staff borne on these Votes compares as follows :—

| — | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| Administrative and Clerical ... | 471 | 1,438 | 1,360 |
| Industrial ... ... ... ... | 1,707 | 8,589 | 7,425 |

Apart from the general increase of the Department's work as an agent for supplying increased requirements of Government Departments generally, the number of industrial staff has been increased by the extended employment of direct labour, both in connection with normal activities and with the House Building Scheme. In the Engineering Division of the Department about 1,000 men employed on maintenance and repair services, who were formerly obtained from a Contractor remunerated by a commission of 6 per cent. on the wages paid have now been taken into the direct employment of the Department, with a consequent saving estimated at £4,710 per annum.

In the Supplies Division about 600 men are directly employed upon Maintenance Services, the majority of which were formerly executed by contract. It is admitted, however, that in these cases the work has been found not to lend itself so readily to economical working by direct labour, and it is intended, therefore, to revert to contract arrangements.

In the case of House Building, the employment of direct labour was adopted at a time when it was found impossible to obtain satisfactory contracts. The workmen employed on these Schemes, who numbered 4,326 in December last, will not be required as soon as these Schemes have reached completion in the course of 1922/23.

The number of Night Watchmen directly employed by the Department is 280 at the present time as compared with 17 in August 1914, when 44 Commissionaires supplied by the Corps of Commissionaires, were also employed. This large increase is attributed to the increase in the number of buildings in the charge of the Department, the reduction of the working week from 72 hours to 48 hours and to emergency arrangements arising out of the Irish situation last year. In existing circumstances we consider that a substantial reduction should be effected in this staff.

8. *Police.*

We understand that a saving of £10,800 a year would be effected by the substitution of Night Watchmen for the Police employed upon night-watching duties in the Palace of Westminster, and by the substitution of Commissionaires for the Police employed at the Public Record Office. In view of the disproportionate cost of Police at the present time, we recommend that this should be considered by the Authorities concerned.

In addition to the foregoing general observations, we comment upon the following particular Votes :—

9. *Osborne.*

Under the Osborne Estate Act, 1902, such part of Osborne House as was in the personal occupation of Her late Majesty Queen Victoria is, with the exception of certain Apartments preserved as State Apartments, open to the Public at a charge of 8*d.* per head. The remainder of Osborne House and Grounds are

maintained as a Convalescent Home for the benefit of Naval and Military Officers. Before the war each patient paid 2*s*. 6*d*. a day towards the cost of his messing. This charge has since been increased to 3*s*. 6*d*. In view of the fact that the charge in a private Convalescent Home of a similar nature would probably not be less than £5 5*s*. a week, we think that it would not be unreasonable to increase the charge made at Osborne to £2 2*s*. a week.

10. *Art and Science Buildings.*

Of the increase in the Revised Estimate £149,000 is due to the transfer to this Vote of expenditure formerly charged against the Public Buildings Vote, in respect of Museums and Galleries, and of the cost of supplying fittings and exhibition cases formerly charged against the Museum Votes.

11. *War Services. Public Buildings.*

The Revised Estimate for this item is £719,450, as compared with £550,000 in the Provisional Estimate. £154,000 is for the reinstatement of premises already surrendered, and £70,700 compensation payable in respect of commandeered hotels. The balance is for rentals, maintenance of buildings, and supplies for the Disposal and Liquidation Commission and other temporary Departments.

12. *House Building.*

This Vote was taken in 1921/22 to enable the Office of Works to undertake certain House Building Schemes as agents of Local Authorities under the Government Housing Scheme. The expenditure incurred is recovered from the Local Authority concerned with a charge for overhead expenses, and the Vote is required for the purpose of providing temporary working capital only. No new schemes are being undertaken, and the liability of the Department under the schemes now in progress will be practically terminated by the end of 1922/23.

In these circumstances, we make no recommendation.

13. *Housing Schemes.*

| | Gross Estimate. | Net Estimate. |
|---|---|---|
| | £ | £ |
| 1921/22 ... ... | 418,000 | 143,300 |
| 1922/23 Provisional... | 263,600 | 10,800 |
| 1922/23 Revised ... | 293,770 | 52,770 |

This Vote is required for the purpose of financing the administration of certain Housing Schemes erected during the war by the Ministry of Munitions and a Housing Scheme at Woolwich erected by the Office of Works under the Housing Act, 1914, together with certain small schemes now being taken over from the Service Departments. The object of these schemes was to provide accommodation for Munition Workers in towns in which it was found to be seriously inadequate. No fresh schemes have been undertaken since the Armistice, but it was considered necessary to complete the schemes then in progress.

The Gross Estimate provides for the expenditure required for purchase of sites, payment of rates and maintenance, and the rents obtained are taken as Appropriations-in-Aid.

The Provisional Estimate covers twenty-three schemes comprising approximately 9,500 houses and certain hostels. Of the houses, about 5,600 are temporary structures. In the case of only five or six schemes have definite arrangements been made for the transfer, at the end of periods varying from three to seven years after the war, of the schemes to Local Authorities or others. As regards the remaining schemes, the efforts so far made to arrange for their transfer to Local Authorities or for sale have not proved successful.

We are informed that the total capital expenditure incurred upon these schemes amounts to £4,526,000, which will be increased by certain expenditure necessary to acquire sites now held under the Defence of the Realm Act only. It has been found necessary to add £30,250 to the Estimate for this purpose in order to avoid the heavy expenditure which would otherwise be necessary upon reinstatement if the sites were returned to their owners.

The gross rentals amount to £268,000, and the outgoings are estimated at £150,000. The arrears of rent in October 1921 amounted to £21,545, this excessive amount being attributed to the effects of the depression of trade and the coal dispute, as well as in certain cases to rent strikes, now terminated. Allowing for outgoings and losses due to bad debts and voids, the net rental would not appear likely to exceed £90,000 a year, which would represent barely 2 per cent. on the capital expenditure incurred.

We concur strongly in the view expressed to us by the First Commissioner of Works that it is extremely undesirable on general grounds that the Government should continue to own house property which is not required for direct Government employees. We recommend that, as in the case of the houses erected by Local Authorities under the Government Housing Scheme, vigorous efforts should be made to effect sales.

14. *War Memorials.*

It was originally contemplated that a number of War Memorials in France, Gallipoli and Salonika should be provided by the Office of Works, but it was subsequently decided that the work should be undertaken by the Imperial War Graves Commission. One memorial, however, had already been undertaken by the Office of Works, namely, a statue to be erected in Brussels as an acknowledgement of the thanks of the Government for the assistance and sympathy afforded by the Belgian people to British Prisoners of War during the period immediately following the Armistice.

The Revised Estimate of £2,500 for 1922/23, which is now substituted for the Provisional Estimate of £25,000 framed in July last in pursuance of the earlier policy, is required to complete this work.

## CONCLUSIONS.

**As a result of our consideration, we are of opinion:—**

**(1.) That in view of falling prices and the need for economy, a reduction might be effected in the provision for maintenance of buildings made in these Votes.**

**(2.) That, while no reduction in the expenditure on Rentals appears to be possible in 1922/23, the diminution and concentration of Government staffs, which should result from our recommendations, should enable a substantial economy to be effected under this head in the following year.**

**(3.) That the provision proposed for the erection of further Inland Wireless Stations should be omitted.**

**(4.) That resort should be had to hired accommodation wherever possible for Employment Exchanges rather than to the erection of temporary buildings.**

**(5.) That the number of Police employed in connection with the Houses of Parliament buildings and the Public Record Office might be reduced.**

**(6.) That in all the circumstances, the net total of the Estimates for Public Works and buildings under the Office of Works for 1922/23 should be reduced to £,6,000,000, as compared with the Provisional Estimates of £6,643,750 and the revised Estimates of £6,201,120.**

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## Chapter III.

### RATES ON GOVERNMENT PROPERTY.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 789,335 |
| 1921/22 Net Estimate ... ... ... | 2,359,000 |
| 1922/23 Provisional Net Estimate ... | 2,237,500 |

Since the Provisional Estimate was submitted a Revised Estimate of £2,006,448 has been put forward showing a saving of £231,052.

The following statement shows the actual gross expenditure on rates for the Services indicated in 1913/14, and the Estimated Expenditure in 1922/23 :—

| Service. | Expenditure, 1913/14. | Estimated Expenditure, 1922/23. |
|---|---|---|
| | £ | £ |
| Admiralty ... ... ... ... | 148,157 | 380,000 |
| War Department ... ... ... | 252,060 | 582,000 |
| Air Ministry ... ... ... ... | — | 50,000 |
| Ministry of Pensions... ... ... | — | 40,000 |
| Ministry of Labour ... ... ... | 14,267 | 78,000 |
| Education— | | |
| England ... ... ... ... | 12,323 | 25,000 |
| Scotland ... ... ... ... | 1,274 | 2,750 |
| Ireland ... ... ... ... | 2,361 | — |
| National Health Insurance ... ... | 4,123 | 19,000 |
| Ministry of Health ... ... ... | 2,937 | |
| Revenue Departments ... ... | 186,322 | 445,000 |
| Other Services... ... ... ... | 197,655 | 384,698 |

The charge for Rates on Government Property is entirely dependent upon the property in Government occupation and the recommendations already made in this and previous reports will ultimately lead to reduction in the property occupied, with consequent savings on the Vote of the Office of Works and on this Vote. These savings will be entirely automatic. It is not possible to forecast at this moment what premises will be given up and at what dates, so that no Estimate of the saving in respect of Rates for 1922/23 can as yet be given. We, therefore, make no recommendation.

# PART XIII.—ART AND SCIENCE.

## Chapter I.

### MUSEUMS AND GALLERIES.

| | |
|---|---|
| British Museum ... ... ... | Class IV (2). |
| National Gallery ... ... ... | Class IV (3). |
| National Portrait Gallery ... | Class IV (4). |
| Wallace Collection ... ... | Class IV (5). |
| London Museum ... ... ... | Class IV (6). |
| Imperial War Museum ... ... | Class IV (7). |
| Geological Museum ... ... | Class IV (9f.) |
| National Galleries (Scotland) ... | Class IV (12). |

For convenience, we deal with the above-mentioned Museums and Art Galleries in one Report. They each have a separate Vote, except the Geological Museum, which is a Subhead of the Vote of the Department of Scientific and Industrial Research, which is its controlling authority.

Apart from this exception, each of the other Museums and Galleries detailed above is controlled by a separate Board of Trustees with the Treasury as the co-ordinating authority.

1. The following table shows the Provisional Estimates for 1922/23 compared with the Audited Expenditure for 1913/14 and the Estimates for 1921/22 :—

| Name. | Audited Expenditure, 1913/14. | Estimate, 1921/22. | Provisional Estimate, 1922/23. | Reduction in 1922/23 as compared with 1921/22. |
|---|---|---|---|---|
| | £ | £ | £ | Per cent. |
| British Museum (including Natural History Museum). | 197,369 | 375,085 | 306,285 | 18·3 |
| National Gallery (including Tate Gallery). | 21,464 | 39,627 | 33,416 | 16·3 |
| National Portrait Gallery ... | 5,642 | 10,844 | 8,432 | 22·1 |
| Wallace Collection ... ... | 7,459 | 15,612 | 12,510 | 20·1 |
| London Museum* ... ... | 5,172 | 5,882 | 4,998 | 15 |
| Imperial War Museum ... | — | 37,170 | 20,000 | 46 |
| Geological Museum ... ... | 3,810 | 9,126 | 8,232 | 6·8 |
| National Galleries (Scotland)... | 6,668 | 13,425 | 11,991 | 10·7 |
| | 247,584 | 506.771 | 405,864 | 19·9 |

* Audited Expenditure for 1914/15, the first year of the London Museum.

The Estimates for 1921/22 and the Provisional Estimates for 1922/23 can be further analysed as follows :—

| | 1921/22. | 1922/23. |
|---|---|---|
| | £ | £ |
| Expenditure on Staff and Police... | 351,593 | 327,267 |
| Purchase Grants ... ... ... | 51,458 | 42,425 |
| All other Expenditure ... ... | 132,435 | 64,712 |
| Gross Expenditure ... ... | 535,486 | 434,404 |
| Receipts ... ... ... | 28,715 | 28,540 |
| Net Expenditure ... | 506,771 | 405,864 |

2. From this table, it will be seen that over 80 per cent. of the Estimate is in respect of the cost of personnel. The functions discharged by the staffs employed in the National Collections are very varied ranging from research, recording and the purchase of new *objets d'art* down to the safeguarding of the Collections and the cleaning of the premises.

As regards the higher and semi-technical staff, we have no comments to make. We think, however, that further economies might be produced by a close investigation into the question of the size of the warding staff required at all these Museums and Galleries, especially in the case of the British Museum and the Natural History Museum, where a reduction of the number of expensive Regular Police and their substitution by ex-soldier warders would effect a saving.

3. *Purchase Grants.*

The sum provided for Purchase Grants is shown in the following table :—

| —— | 1913/14. | 1921/22. | 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| British Museum ... ... ... | 25,000 | 25,000 | 25,000 |
| Natural History Museum ... ... | 5,500 | 6,500 | 6,500 |
| National Gallery ... ... ... | 5,000 | 8,000 | 8,000 |
| National Portrait Gallery ... ... | 750 | 1,033 | 1,000 |
| Imperial War Museum ... ... | — | 9,000 | — |
| Geological Museum ... ... ... | 350 | 525 | 525 |
| National Galleries (Scotland) ... | 1,400 | 1,400 | 1,400 |
| | 38,000 | 51,458 | 42,425 |

The Wallace Collection and the London Museum receive no Purchase Grants.

We have carefully considered whether any reduction in these Grants is justified, but having regard to the special opportunities which now occur for making purchases for the Nation as the result of the breaking-up of many continental and private Collections, owing to the war, we do not recommend any such reduction, especially as we understand that the suspension or reduction of the National Purchase Grants discourages gifts or bequests of private benefactors.

On the other hand, we are of opinion that a good deal can be done to increase the revenue of Museums and Galleries as we proceed to explain.

4. *Admission Fees.*

We think that the revenue can be considerably increased by the imposition of a small entrance fee for admission to Collections on certain days of the week. We understand that the National Gallery, the London Museum and the Wallace Collection have increased the number of paying days to four a week, and in the case of the National Gallery the results have been very satisfactory. We recommend that such a rule should be made general for all National Museums and Art Galleries without distinction, in view of the growing expenses of these Institutions. The retention of three free days a week, including Saturdays and Sundays, and the granting of "free passes" to *bonâ fide* students would, in our opinion, preserve all the necessary educational facilities.

The adoption of this recommendation is estimated to result in the following increase of revenue in 1922/23 :—

| | £ |
|---|---|
| British Museum ... ... ... ... | 6,000 |
| Natural History Museum ... ... | 3,500 |
| National Portrait Gallery ... ... ... | 300 |
| National Galleries (Scotland) ... ... | 100 |
| Geological Museum ... ... ... | 200 |
| | 10,100 |

At the same time, we are of opinion that other sources of income should be developed as far as possible on a uniform basis, and that any articles sold should be sold at a strictly economic rate.

5. *British Museum.*

In examining the Estimates of the British Museum, we are struck by the greatly increased cost of bookbinding. This item, which in 1913/14 cost £11,900, is estimated in 1921/22 at £26,500, and in 1922/23 at £22,000. We suggest that, in present circumstances, this item should be reduced by £3,000, and the incidental expenses at the Natural History Museum should be reduced by £500.

6. *Imperial War Museum.*

The Imperial War Museum, which is now based in the Crystal Palace, was instituted in 1917, and although the preliminary work is not yet completed, the volume of work is steadily decreasing. The expenditure has shown a steady decline since the high-water mark of 1919/20, as is shown in the following figures :—

| | £ |
|---|---|
| 1919/20 ... ... ... ... ... | 59,751 |
| 1920/21 (estimated) ... ... ... | 50,000 |
| 1921/22 (estimated) ... ... ... | 37,170 |
| 1922/23 (proposed) ... ... ... | 20,000 |

But apart from this current expenditure, there is the cost of housing the Collection, which is borne on the Vote for Public Buildings (Great Britain). The principal item is the rent of £25,000 per annum, which is paid to the Crystal Palace Trustees. We understand that the lease runs till the 31st March, 1924, and although no immediate economy can be effected in this respect, we think that less expensive accommodation could be found—possibly in one of the existing Government buildings which is not fully occupied. We understand that a Committee is considering the possible removal of the Museum to the Imperial Institute. From £80,000 to £90,000 has already been spent on the purchase of relics, apart from numerous gifts, and valuable pictures have been collected. There is an unexpired liability on the lease of the Crystal Palace, and the expense of storing the contents of the Museum elsewhere until it has found a permanent and more economical home would be very great. In these circumstances, we make no recommendation.

7. We have not mentioned in this Report the three Museums (the Victoria and Albert, the Science and Bethnal Green Museums), which are controlled by the Board of Education, and the expenses of which are borne on the Vote of that Board, nor the Royal Scottish Museum, which is controlled and financed by the Scottish Education Department. The English Museums have already been dealt with in our Report on the Education Estimates in our First Interim Report and the Scottish Museums shall be dealt with on similar lines. We would only say further here that the suggestion which we have made for the extension of admission fees should, in our opinion, apply to these four Museums also and the increased revenue derived therefrom should prove helpful to them in view of the reduction of the Grants to them which we have recommended in our First Interim Report.

## CONCLUSIONS.

**We are of opinion that, in view of the economies which we have suggested and the means of increasing revenue which we have recommended, the net sum of £405,864, which is asked for in the Provisional Estimates for 1922/23 should be reduced to £392,264, a saving of £13,600.**

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## Chapter II.

### SCIENTIFIC INVESTIGATION, &c.

CLASS IV (8).

This Vote consists of grants, mainly of small amount, to various learned and scientific societies. The following table

shows the comparison of the Estimates for 1913/14, 1921/22 and 1922/23 :—

| — | Expenditure, 1913/14. | Estimate, 1921/22. | Provisioual Estimate, 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Royal Society... ... ... ... | 27,150 | 9,000* | 9,000* |
| Royal Geographical Society... ... | 1,250 | 1,250 | 1,250 |
| Marine Biological Association ... | 1,000 | 1,000 | — |
| Royal Society, Edinburgh ... ... | 600 | 600 | 600 |
| Scottish Meteorological Society ... | 100 | 100 | — |
| Royal Irish Academy ... ... | 1,600 | 1,600 | 2,200 |
| Royal Irish Academy of Music ... | 300 | 300 | |
| Royal Zoological Society of Ireland | 500 | 500 | |
| Royal Hibernian Academy ... ... | 300 | 300 | |
| British School at Athens ... ... | 500 | 500 | 500 |
| British School at Rome ... ... | 500 | 500 | 500 |
| Royal Scottish Geographical Society | 200 | 200 | 200 |
| National Library of Wales ... ... | 4,000 | 13,000 | 14,000 |
| National Museum of Wales... ... | 8,800 | 36,000 | 20,023 |
| Solar Physic Observatory ... ... | 3,000 | 3,000 | 3,000 |
| North Sea Fisheries Investigation ... | 1,227 | 1,400 | 1,400 |
| Imperial Mineral Resources Bureau | — | 10,750 | 8,750 |
| Royal Academy of Music ... ... | 500 | 500 | 500 |
| Royal College of Music ... ... | 500 | 500 | 500 |
| Medical Research Council ... ... | — | 130,000 | 130,000 |
| British Institute of Industrial Art... | — | 2,500 | — |
| International Seismic Association ... | 157 | 150 | — |
| Edinburgh Observatory ... ... | 1,488 | 3,281 | 2,890 |
| Australasian Antarctic Expedition... | 1,000 | — | — |
| International Geodetic Association... | 294 | — | — |
| Meteorological Office... ... ... | 20,000 | † | † |
| British Academy ... ... ... | 400 | — | — |
| Total ... ... ... | 75,356 | 216,931 | 195,313 |

* This compares with a grant of £5,000 to the Royal Society proper in 1913–14, as explained below.

† Now in Air Votes.

The Provisional Estimate for 1922/23 has since been increased to £200,423, an increase of £5,110.

The sum of £195,313 proposed in the Provisional Estimates represents a decrease of £21,618, or 10 per cent. on the Estimates for 1921/22.

The Vote is entirely in respect of grants, except in the one small instance of the Edinburgh Observatory, where provision is made for the payment of a staff of four permanent observers, &c.

It will be seen from the table at the head of this Report that the chief increases since 1913/14 are as follows :—

1. A grant of £130,000 to the Medical Research Council.
2. A grant of £8,750 to the Imperial Mineral Resources Bureau.
3. An increased grant to the National Museum of Wales.

As regards (1), the grant to the Medical Research Council accounts for more than half the total Vote. We are assured that the work of this Council in Preventive Medical Research produces very substantial economies in administrative services falling on other Departments, and at a time when the prevention and combating of disease and the alleviation of physical disability is a matter of such vital concern from an economic as well as from a humanitarian point of view, we do not feel justified in recommending any reduction of a Grant-in-Aid of medical research conducted by a body of selected specialists.

As regards (2), Grant to the Imperial Mineral Resources Bureau, it will be observed that it is proposed to make a grant of £8,750, which is a reduction of £2,000 on the grant for the current year. We have no doubt that the Bureau is doing valuable work, but in the present circumstances, we endorse the reduction which the Treasury have proposed.

As regards (3), we understand that the grant to the National Museum of Wales is in respect of maintenance and building fund. It is estimated that no smaller provision than £13,000 will suffice for maintenance if the Museum is to be run with efficiency. The balance of the proposed grant, viz., £7,000, represents what the Exchequer may reasonably be expected to contribute to the building fund in 1922/23 in fulfilment of its obligation, which is to provide total grants for this purpose within a maximum of about £116,000. The actual contribution each year depends upon equivalent outside contributions.

The chief decreases, which are apparent and not real, as the grants now appear in other Votes, are as follows :—

1. The grant to the Royal Society now stands at £9,000 whereas in 1913/14 it was £27,150. Of this latter amount, however, £22,150 was for the National Physical Laboratory, its buildings and Aeronautical Section, and also Eskdalemuir Observatory. Provision for these latter services has, since 1918, been made in other Votes.
2. There is now no grant to the Meteorological Office, which, in 1913/14 amounted to £20,000. This is accounted for by the fact that the Meteorological Office is now administered by the Air Ministry, at an approximate cost of £150,000, on which we have commented in our first Interim Report.

## CONCLUSIONS.

**We are of opinion that the grant to the Medical Research Council, which is by far the largest item, should be as proposed by the Treasury.**

**As regards the smaller grants, we are averse from an arbitrary and uniform reduction on a percentage basis on the ground that the saving to the Exchequer would be small compared with the detriment which would be caused to the activities of the learned**

and scientific world and the discouragement which would be given to private subscriptions and donations if the Exchequer grants were reduced. We therefore recommend that the Provisional Estimate, as framed by the Treasury, should be accepted, with the qualification that it may be possible, under the terms of the Irish Settlement, to omit the £2,200 proposed for the four Academies and Societies in Ireland. Against this possible saving of £2,200 must be set the increase of £5,110 by which the revised Estimate submitted by the Treasury exceeds their Provisional Estimate of July last.

## Chapter III.

## DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH.

CLASS IV (9).

1. The following table gives a comparison of the expenditure for 1913/14 with the Estimates for 1921/22 and 1922/23 :—

| | Audited Expenditure, 1913/14. | Estimate, 1921/22. | | Provisional Estimate, 1922/23. | |
|---|---|---|---|---|---|
| Headquarters— | £ | £ | £ | £ | £ |
| Salaries and travelling ... | — | 47,858 | | 38,287 | |
| Grants for Investigation and Research, Research Boards and Committee, &c.... ... | — | 173,083 | | 134,476 | |
| | | 220,941 | | 172,763 | |
| *Less* Appropriations-in-Aid | — | 38,612 | | 33,000 | |
| | | | 182,329 | | 139,763 |
| Fuel Research Board ... ... | — | 62,964 | | 51,332 | |
| *Less* Appropriations-in-Aid | — | 6,600 | | 5,600 | |
| | | | 56,364 | | 45,732 |
| Geological Museum ... ... | 3,813* | — | 9,126 | | 8,232 |
| Geological Survey ... ... | 16,748* | 56,585 | | 53,160 | |
| *Less* Appropriations-in-Aid | — | 650 | | 600 | |
| | | | 55,935 | | 52,560 |
| National Physical Laboratory | 7,000† | 213,269 | | 184,300 | |
| *Less* Appropriations-in-Aid | — | 101,000 | | 100,300 | |
| | | | 112,269 | | 84,000 |
| Net Vote ... ... | 27,561 | — | 416,023 | — | 330,287 |

* Class IV, Vote 1 (Board of Education) in 1913/14.

† The Laboratory was, before 1918, managed by the Royal Society, who received a grant of £7,000 a-year from the Vote for Scientific Investigation (Class IV, Vote 8). But this figure is not really comparable with that of 1921/22

[*Continued on p. 94.*

The Provisional Net Estimate for 1922/23 of £330,287 has since been reduced to £298,071, a saving of £32,216.

2. The following table shows the comparative numbers of staff employed :—

| | August 1, 1914. | August 1, 1921. | | April 1, 1922. |
|---|---|---|---|---|
| Geological Survey ... ... ... | 49 | 83 | 618 | 624* |
| Geological Museum ... ... ... | 10 | 12 | | |
| National Physical Laboratory ... | 180 | 299 | | |
| Other branches ... ... ... | — | 224 | | |

* It is not possible to give exact figures for 1922. The relative proportions of scientific staff of the National Physical Laboratory, the Fuel Research Station and other Research Boards cannot be determined until the programme of research for the year has been settled.

The staff is composed of :—

(*a*) Administrative.
(*b*) Scientific and Technical.
(*c*) Financial and Clerical.
(*d*) Draughtsmen, Warders, Messengers, &c.

In all these cases, with the exception of (*b*), the Treasury exercises the the same control of staff as it does in other Departments. In the case of (*b*)—Scientific and Technical Staff—it is not possible for any outside or unscientific authority to estimate the number of persons or the length of time needed for the completion of a piece of research work. We think, however, that the incentive to engage or retain superfluous staff is small in a Department like this, where expenditure on personnel is governed by the total amount of funds available for the prosecution of researches and where there are no statutory and few administrative functions which might be over-elaborated or extravagantly conducted.

3. *Origin of Department.*

This Department did not exist before the war, but various grants were made by the Treasury to the Board of Education and the Royal Society for researches which are now conducted by this Department, while, in addition, fees were paid by various Government Departments from their own Votes for research work undertaken on their behalf. In the early years of the war, the Government were impressed with the great desirability of

*Continued from p. 93.*]

because part of the expenditure collected on this Vote in 1921/22 was, before the war, spread over the Votes of many Departments, who paid fees to the Royal Society or other investigators for research or testing work undertaken on their behalf. In addition to the above £7,000, the following grants were made in respect of the Laboratory in 1913/14 :—

| | £ |
|---|---|
| Buildings ... ... ... ... ... ... | 5,000 |
| Aeronautical Section ... ... ... ... ... | 9.150 |
| Eskdalemuir Observatory (now under Air Ministry) | 1,000 |

setting up some permanent Research organisation which they felt would be essential in the period of industrial reconstruction after the war. Consequently, the Department was established early in 1917 with a separate Parliamentary Vote which provided also for the expenses of the National Physical Laboratory and the Fuel Research Board. The Geological Survey and the Geological Museum were transferred to this Vote from the Board of Education in 1920.

4. *Work of the Department.*

The various functions of the Department can be grouped as follows :—

| | Estimated Cost in 1922/23. £ |
|---|---|
| 1. Headquarters Staff ... ... ... | 38,287 |
| 2. Grants to Researchers and Learned Societies ... ... ... ... | 51,600 |
| 3. National Physical Laboratory ... | 84,000 |
| 4. Geological Survey ... ... ... | 52,560 |
| 5. Research Boards and Committees ... | 49,876 |
| 6. Geological Museum ... ... ... | 8,232 |
| 7. Fuel Research Board ... ... ... | 45,732 |

We have already dealt with the Geological Museum in our Report on Museums generally and have recommended that there should be an increase of revenue by means of admission fees.

5. *Special Fund.*

In addition to providing for the annual expenses of the Department, Parliament voted in 1917/18 a capital sum of £1,000,000 to be expended on industrial research. The fund so created is not in the hands of the Government, but of a body of Trustees set up by Charter, who expend it in the form of £ for £ grants to approved Research Societies established by particular industries. This is not, however, a percentage grant, as it is based on contributions by the Associations, not on their expenditure, and the Government proportion stops altogether or is reduced rapidly after a certain point is reached. Since 1919/20, the Treasury has required the interest on the fund, subject to certain prior charges, to be appropriated in aid of the Vote and a sum of £36,192 was so appropriated in the current year.

6. *Comparison of the Estimates.*

Previous to 1920/21, the annual net estimates of this Department from the date of its inception were :—

| | £ |
|---|---|
| 1917/18 ... ... ... ... ... | 63,325 |
| (plus special grant of £1,000,000). | |
| 1918/19 ... ... ... ... ... | 148,350 |
| 1919/20 ... ... ... ... ... | 242,815 |

The net Estimates for 1920/21 (£556,868) showed so great an increase on the already expanding figures of the previous three years that the Vote was specially examined. Reductions were

made and the fees charged to outside bodies for work done on their behalf at the National Physical Laboratory and in other Government Research Institutions were increased. This, as will be seen from the following table, has led to a substantial increase of the Appropriations-in-Aid, and there has been a steady decline in the gross as well as the net total expenditure during the last three years.

| —— | 1920/21. | 1921/22. | 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Gross ... ... ... ... ... | 644,628 | 562,885 | 466,497 |
| Appropriations-in-Aid ... ... | 87,760 | 146,962 | 136,210 |
| Net Total ... ... | 556,868 | 416,023 | 330,287 |

This Department, like all others, was instructed, in May last, to effect at least a 20 per cent. reduction on their expenditure of 1921/22 when framing their Provisional Estimate for 1922/23. The Department succeeded in effecting this and presented a Provisional Net Estimate of £330,287. Since arriving at that figure, the Department and the Treasury have agreed on an additional cut of £17,700 and as the result of a further review, the Department have intimated that a still further reduction can be made, which will bring their Net Estimate down to £298,071. This recent reduction is partly due to the fact that the Department has reinvested more profitably the outstanding balance of their special fund and they are thereby enabled to appropriate in aid of their Vote a sum of £45,000 instead of £36,000.

7. *Present Work of the Department*

The work of the Department now comprises :—

(*a*) Testing and research work for outside bodies for which substantial fees are charged.

(*b*) Research work for Government Departments which can be more economically and efficiently carried out by this Department than by leaving the Government Departments to carry out their work unco-ordinated.

(*c*) Scientific Research bearing on Industrial problems.

## CONCLUSIONS.

**We are of opinion that the activities of this Department have been minutely examined with a view to obtaining a reduction of expenditure, and we are unable to recommend any further reduction beyond what has been effected. The result is that the Provisional Estimate of £330,287 is reduced to £298,071, a saving of £32,216.**

# PART XIV.—FOREIGN OFFICE AND DIPLOMATIC AND CONSULAR SERVICES.

## Chapter I.

### FOREIGN OFFICE.

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 67,868 |
| 1921/22 Estimates ... ... ... | 212,520 |
| 1922/23 Provisional Estimates ... ... | 181,310 |

1. The reduction in 1922/23 as compared with 1921/22 is due to the fall of Bonus and anticipated savings on Messengers' Travelling. Since the Provisional Estimates were submitted, it has been decided to transfer to this Vote certain duties from Navy Votes, the cost of which is estimated at £32,010. With this and other minor adjustments the revised Estimate for the Foreign Office for 1922/23 is £216,679.

Excluding the transferred staff the numbers of staff compare as follows :—

| | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| Permanent ... ... | 187 | 273 | 421 |
| Temporary ... ... | | 590 | 458 |
| Total ... | 187 | 863 | 879 |

Of the increased numbers the staff of the Passport Office accounts for 290. The cost of this Office is covered by the fees charged.

Apart from the staff of the Passport Office, the staff of the Foreign Office is more than three times as large as it was in 1914. This increase represents the additional work thrown upon the Department as a result of the Peace Treaties and the numerous problems arising out of the resettlement of Europe.

2. *Higher Division staff.*

The Higher Division staff of the Office has increased from a total of 43 before the war to an authorised establishment of 75 at the present time, but we are informed that in addition it is proposed to employ 14 Temporary Higher Division Officers and 11 Junior Administrative Assistants, at a cost of about £10,000 a year. We think that by 1922/23 it should be possible for the Higher Administrative work to be done by the authorised establishment, so as to enable this additional staff to be dispensed with.

3. *News Department.*

Further temporary staff costing about £3,000 a year is employed in connection with the News Department, for which provision of £2,900 is also made for incidental expenses. We refer to the News Department again in our Report on the Diplomatic and Consular Estimates, and we think that this expenditure might be saved.

4. *Communications Department.*

A special staff of about 30 is engaged on the duty of cyphering and decyphering messages in the Foreign Office and carrying despatches abroad. The estimated cost for salaries in 1922/23 is £13,500, together with £22,500 for travelling, &c., expenses, making £36,000. Prior to the war, the despatch work was performed by 6 King's Messengers at a cost of £1,650 per annum, plus travelling expenses, and the cyphering work was done chiefly by the ordinary staff.

We consider that it should be possible to effect a considerable reduction in the number of cypher telegrams sent, resort being had to despatch by bag in matters not of great urgency, and the recommendations which we make on this subject in our Report on the Estimates for the Diplomatic and Consular Services should appreciably reduce the work of this Department.

## CONCLUSION.

**In view of the foregoing considerations, we recommend that the Estimates for the Foreign Office for 1922/23 should be fixed at £195,000, to include the transferred Services, instead of the provisional £181,310 which was increased to £216,679.**

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## Chapter II.

### DIPLOMATIC AND CONSULAR SERVICES.

| | £ | £ |
|---|---|---|
| 1913/14 Audited Expenditure ... ... ... | | 692,376 |
| 1921/22 Estimates :— | £ | |
| Ordinary Services (net) ... | 2,058,187 | |
| War Services (net) ... ... | 60,000 | |
| | | 2,118,187 |
| 1922/23 Provisional Estimates :— | | |
| Ordinary Services (net) ... | 1,693,033 | |
| War Services (net) ... ... | 60,000 | |
| | | 1,753,033 |

1. The main heads of the Estimates for 1922/23 as compared with 1913/14 are as follows :—

| | Expenditure, 1913/14. | Provisional Estimates, 1922/23. |
|---|---|---|
| | £ | £ |
| Diplomatic Services ... ... | 277,196 | 646,565 |
| Consular Services ... ... | 427,461 | 1,153,818 |
| Telegrams ... ... ... ... | 41,120 | 175,000 |
| Passport Control ... ... ... | — | 110,000 |
| Refund to India in respect of Far Eastern Services ... ... | 68,963 | 89,950 |
| Gross Total (Ordinary Services) ... ... | 814,740 | 2,175,333 |
| Appropriations-in-Aid ... ... | 122,364 | 482,300 |
| Net Total (Ordinary Services) ... ... | 692,376 | 1,693,033 |
| Net War Services (Boundary Commissions, Inter-Allied Rhineland Commission and Mixed Arbitral Tribunal) ... | — | 60,000 |
| | | 1,753,033 |

A revised Estimate for 1922/23 which has now been framed shows a net reduction of £109,094 on Ordinary Services, while the War Services will be more than covered by the corresponding Appropriations-in-Aid. The Net Estimate as revised is accordingly reduced to £1,571,439.

We proceed to deal with the heads of expenditure *seriatim*.

2. *Diplomatic Services.*

The numbers of Diplomats for 1914 and 1922/23 compare as follows :—

| | 1914. | 1922-23. |
|---|---|---|
| Ambassadors, Ministers, &c. ... | 41 | 44 |
| Counsellors ... ... ... ... | 12 | 12 |
| Secretaries ... ... ... ... | 65 | 75 |
| | 118 | 131 |

The number of the subordinate staff of Archivists, Clerks and Typists, excluding clerical staff paid from allowances, has increased from 34 in 1913/14 to 133 in 1922/23. This increase of subordinate staff, for which it is now proposed to obtain trained personnel, relieves the Diplomatic staff proper of a considerable amount of routine work. It should also be pointed out that the Commercial Diplomatic Service, for which £155,000 is provided in the Estimates for the Department of Overseas Trade, has

been added. The staff of Commercial Diplomats, numbering 43, has relieved the regular Diplomatic staff of work of a commercial nature, so that the real increase is very much larger than is shown in the table above. In these circumstances, we consider that some reduction should be possible in the number of Junior Diplomats employed. If the total number of Counsellors and Secretaries could be reduced to pre-war numbers a saving of about £10,000 a year might be effected.

Apart from numbers, the increased expenditure is due to increased rates of pay and Rent Allowances, and to provision for Entertainment.

The provision for " Frais de Représentation " for Ambassadors and Ministers in 1922/23 is £128,200. Before the war " Frais de Représentation " fell to be met by the Ambassador out of his salary. In 1914 the total cost of the salaries of 39 Ambassadors and Ministers was £143,162, giving an average salary of £3,670, the whole of which was liable to Income Tax. The provision for salaries and *frais* for 1922/23 is £217,650, an average of £4,950, of which the salary portion only, £2,032, is liable to Income Tax. For the purposes of super-tax an Estimate of the necessary expenditure on *frais* in 1913/14 was made, amounting to £81,000, and this compares with the proposed provision of £128,000 in 1922/23. In view of the obligations imposed on representatives of the Government in foreign countries and of present-day costs, we make no recommendation, especially as these allowances are under constant review.

Included under this head is a provision of £27,568 for the News Department expenses abroad. This provision is for press work in foreign countries, and we do not consider that its continuance so long after the war should be necessary, especially in view of the great increase in the number of diplomatic representatives of all kinds. We think the sum provided under this head might be saved by an adjustment of duties.

3. *Consular Services.*

The great increase in the cost of these Services since 1914 reflects the policy adopted since 1917, of giving active assistance to British trade overseas. In order to give a fair comparison of the expenditure incurred for this purpose, it is necessary to include the cost of the Department of Overseas Trade. On this basis the proposed expenditure appears as follows :—

| | 1913/14. | 1922/23. |
|---|---|---|
| | £ | £ |
| Consular Services ... ... | 427,461 | 1,153,818 |
| Department of Overseas Trade (or corresponding pre-war expenditure of Foreign Office and Board of Trade) ... | 34,000 | 336,039* |
| | 461,461 | 1,489,857 |

* Excluding the Petroleum Department.

It will be seen that the expenditure has increased nearly three and a half times. The revised Estimate for Consular Services for 1922/23 shows a saving of £107,000 on the above figure.

The growth of expenditure has been due to a considerable extent to increased rates of pay and to the provision of Rent and Representation Allowances. The number of salaried officers employed overseas compares as follows :—

| | 1914. | 1922/23. |
|---|---|---|
| (a) *Overseas Trade Department Service*— | | |
| Commercial Diplomats ... ... | 8 | 43 |
| Trade Commissioners ... ... | 4 | 12 |
| (b) *General Consular Service*— | | |
| Inspectors-General of Consular Establishments ... ... ... | | 2 |
| Consuls-General ... ... ... | 40 | 39 |
| Consuls ... ... ... ... | 84 | 101 |
| Vice-Consuls ... ... ... | 113 | 149 |
| Student Interpreters and Probationers ... ... ... ... | 20 | 62 |
| (c) *Far Eastern Consular Service*— | | |
| Consuls-General ... ... ... | 11 | 8 |
| Consuls ... ... ... ... | 25 | 25 |
| Vice-Consuls and Assistants ... | 53 | 63 |
| Student Interpreters ... ... | 31 | 9 |
| Total ... ... | 389 | 513 |

The cost of subordinate staff, &c., covered by Office Allowances to Consuls in the General Consular Service has increased from £103,000 in 1913/14 to £252,000. Apart from increased prices and wages, this increase is due to the additional work thrown upon Consuls in answering commercial enquiries. If the recommendations in our Report on the Department of Overseas Trade as regards the nature of the information which should be given to the British traders are adopted, we consider that some economy should be possible in these staffs. We append joint Memoranda (Appendix (A) ) furnished by the Foreign Office and the Department of Overseas Trade on the subject. As regards the Consular staffs, while reductions in the number of salaried posts can no doubt only be effected gradually as opportunity offers, we think that an immediate reduction of, say, 10 per cent. in the cost of subordinate staff should be possible.

4. *Telegrams* : £175,000.

The revised Estimate shows a reduction of £25,000 on this item. Even so, it is nearly four times the pre-war expenditure, and we are informed that the increase is due mainly to the increased volume of traffic and not to higher rates. Substantial economy should be possible in this expenditure. We believe

that a large number of telegrams are sent on matters which might form the subject of ordinary despatches. The habit of telegraphing on every occasion is a habit of the war, when speed was essential and the ordinary means of communication either unsafe or not available. Now that there is a regular messenger service at frequent intervals with all the principal Embassies and Legations in Europe, it should be possible to limit severely the number of telegrams sent, except when Conferences of the highest political importance are in progress. The authority for the transmission of telegrams abroad should be restricted to a very few high officials. We consider that in this matter pre-war methods and expenditure should be reverted to and that the proposed provision should be reduced to £85,000, as compared with £41,000 before the war.

5. *Passport Control* : £110,000 *gross.*

The revised Estimate shows a reduction of £46,000 under this head. This service is a matter of policy, and as the cost is covered by the fees charged, we make no observations.

6. *Refund to India in respect of Far Eastern Services* : £89,950.

The revised Estimate for this item amounts to £168,550, which includes in addition to the cost of Consular Officers employed in Persia the following amounts :—

| | £ |
|---|---|
| Maintenance of Lights and Buoys in the Persian Gulf ... ... ... ... | 30,000 |
| Maintenance of Telegraphs in Persia ... | 33,550 |
| Cost of Indian Troops employed in South Persia as Consular Guards (half expenditure incurred in the last two years) ... | 80,000 |

Under arrangements made as the result of a Royal Commission in 1900, India contributes a fixed sum towards the cost of Diplomatic and Consular Services in China, and shares equally with the British Government the cost of such services, and the kindred services specified above, in Persia and the Persian Gulf. The Diplomatic Mission in Persia and certain Consular Services are under the control of, and paid for in the first instance by, the British Government, and the other Consular, and all the kindred, services are controlled, and paid for in the first instance by India. The determining factor is predominating interest—roughly, north and west, British ; south and east, Indian. The creation of new posts, and material increases of emoluments require the consent of both Governments. The Consular Posts controlled by India are more expensive relatively, and the expenditure on services incurred in the first instance by India is now the greater, so that the British Government has to make a contribution to India to equate the charges.

The provision proposed for 1922/23 cannot be reduced.

## CONCLUSIONS.

**As the result of our consideration, we are of opinion:—**

**(1) That the special provision for the News Department should cease, the necessary work being performed by the regular Diplomatic staff, in which further economies should be effected.**

**(2) That as a result of the recommendations in our previous Report on the Department of Overseas Trade, economies should be made in the cost of the Commercial, Diplomatic and Consular Services.**

**(3) That a substantial reduction should be made in the expenditure upon telegrams.**

**(4) That in the circumstances the Net Estimates for Diplomatic and Consular Services for 1922/23 should be reduced from the Provisional Estimate of £1,753,033 to £1,435,000.**

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## APPENDIX (A).

### Memoranda by Foreign Office and Department of Overseas Trade.

I.—*Effect on Commercial Diplomatic Service of application of the Recommendations of the Committee on National Expenditure with regard to the Department of Overseas Trade.*

The attached schedule shows the provision inserted in the estimates for 1922/23 for the Commercial Diplomatic Service. The provision is for forty-three officers at a total cost of £157,300.

The Committee have recommended that the functions of the Department of Overseas Trade should in future be limited to giving general information, and that they should not henceforth give assistance to traders in specific matters of business. Should this recommendation be adopted, it is certain that the activities of the Commercial Diplomatic Service would be very materially reduced, although not to the same extent as in the case of the Headquarters office. It has been estimated that the work at Headquarters would diminish immediately by something like 75 per cent. if the Department were precluded from giving assistance in specific matters of business. In the case of the Commercial Diplomatic Officers, while it is true that a considerable part of their work is at present concerned with assistance in specific matters of business, the remainder of their

duties includes, not only the rendering of general reports such as the Headquarters Department would under the Committee's recommendation henceforth pass on to the trading community, but also advising and assisting the head of the Mission in economic and financial matters, and rendering reports which are not intended for the trading community, but are designed to assist the work of the Political Departments of the Foreign Office. This work is, and is certain to remain, heavy. It is for this reason impossible to apply a definite percentage reduction to the Commercial Diplomatic Service and it has been necessary to review one by one the countries in which Commercial Diplomatic Officers are at present stationed.

In the first place it is probable that, generally speaking, not more than one Commercial Diplomatic Officer would be needed in any country. There are at present twelve subordinate appointments, the holders of which are in the position of assistants to the chief Commercial Diplomatic Officer in the country. Nine of these subordinate appointments should be abolished. It would, however, be necessary to retain the second posts in China, Germany and Russia. Special reasons exist in each of these countries. In *China*, it is essential to have one Commercial Diplomatic Officer permanently stationed in the Legation at Peking in order to assist in dealing with the commercial questions which form so large a part of the work of the Legation. The commercial centre of the country is, however, Shanghai, and the presence of another Commercial Diplomatic Officer is required there even for the purposes of general information alone. In *Germany* the senior post is in Berlin, but it is essential to have another Commercial Secretary in an independent position at Cologne to deal with the occupied territory. Of the two Commercial Diplomatic Officers for *Russia*, one is practically a Diplomatic Officer in charge of the Mission now in Moscow, and the other acts as his assistant especially with reference to commercial work. Both are fully occupied at the present time in handling the special relations which subsist with the Soviet Government, and if, and when, normal relations are restored, one of them will be required for Siberia, even if his duties are confined to general information.

While it is probably true that on the lines laid down no Commercial Secretary would at the moment be needed in Turkey, such an officer would inevitably be required there even for the purposes of general information on the resumption of normal relations with that country, and it is therefore necessary to retain provision for the post. The post in Czechoslovakia is retained because its abolition would immediately necessitate a corresponding addition to the Diplomatic staff at Prague.

On the strict application of these premises, the Commercial Diplomatic Service could be reduced to the establishment shown in the second part of the schedule, namely, twenty-four officers

at an estimated annual cost of £110,000 per annum, as against forty-three officers at a total cost of £157,300 provided for in next year's estimates.

Certain consequences would, however, be felt which would go some way to diminish the effect of this reduction. In certain countries the abolition of the junior Commercial Diplomatic post, or of the sole Commercial Diplomatic post, would quite clearly involve the need of more Diplomatic assistance at the Mission. This is true, for instance, of the United States and France. Even where it cannot be stated with precision that additional staff would be required at the Mission, the responsibility for general commercial information would, on the abolition of a Commercial Secretary, have to be distributed between the Mission and the Consular staff of the country in some way or other, and requests for additional assistance in some form might thus result.

It must also be recognised that the abolition of this large number of posts would leave to be disposed of a number of permanent pensionable officers whom it would be impossible to utilise elsewhere at once or probably at all. The saving indicated also could not be realised completely in the first year of the application of the new principle. There would necessarily be some delay in disposing of officers and closing down the posts.

This scheme of reduction is of course put forward not as in itself desirable or even practicable. It is simply an endeavour to interpret the logical consequences of the possible adoption of the recommendations of the Committee with regard to Government assistance in matters of trade. ... . . . . .

(Signed) EYRE A. CROWE.

(Signed) P. LLOYD-GREAME.

SCHEDULE.

| Country. | Posts as shown in Estimates for 1922/23. | | Posts on Basis of Functions Proposed by Committee on National Expenditure. | |
|---|---|---|---|---|
| | Post. | Cost. | Post. | Cost. |
| | | £ | | £ |
| *Argentine ... ... ... | C.S. 1st | 3,864 | C.S. 1st | 3,864 |
| | C.S. 3rd | 1,196 | — | — |
| *†Austria ... ... ... | C.S. 2nd | 2,088 | C.S. 2nd | 2,088 |
| *Belgium ... ... ... | C.S. 1st | 5,189 | C.S. 1st | 5,189 |
| | C.S. 3rd | 877 | — | — |
| *Brazil ... ... ... ... | C.S. 1st | 4,856 | C.S. 1st | 4,856 |
| | C.S. 3rd | 1,106 | — | — |
| *‡Chile ... ... ... ... | C.S. 2nd | 3,098 | C.S. 2nd | 3,098 |
| *China— | | | | |
| Shanghai ... ... ... | C.C. | 3,870 | C.C. | 3,870 |
| Peking ... ... ... | C.S. 2nd | 1,724 | C.S. 2nd | 1,724 |
| *Czechoslovakia ... ... | C.S. 2nd | 2,219 | C.S. 2nd | 2,219 |
| Denmark ... ... ... | C S. 2nd | 2,891 | — | — |
| Egypt ... ... ... ... | Com. Agent | 4,483 | — | — |
| *France ... ... ... | C.C. | 4,789 | C.C. | 4,789 |
| | C.S. 2nd | 1,089 | — | — |
| *Germany— | | | | |
| Berlin ... ... ... | C.S. 1st | 3,376 | C.S. 1st | 3,376 |
| Cologne ... ... ... | C.S. 2nd | 2,295 | C.S. 2nd | 2,295 |
| Berlin ... ... ... | C.S. 3rd | 871 | — | — |
| *Greece ... ... ... ... | C.S. 1st | 3,350 | C.S. 1st | 3,350 |
| Hungary ... ... ... | C.S. 2nd | 2,476 | — | — |
| *Italy ... ... ... ... | C.C. | 4,559 | C.C. | 4,559 |
| | C.S. 2nd | 1,083 | — | — |
| °Japan ... ... ... ... | C.C. | 3,863 | C.C. | 3,863 |
| | C.S. 2nd | 1,333 | — | — |
| Morocco ... ... ... | C.S. 2nd | 2,307 | — | — |
| *Netherlands ... ... ... | C.S. 1st | 3,603 | C.S. 1st | 3,603 |
| Netherlands East Indies ... | Com. Agent | 2,516 | — | — |
| Norway ... ... ... | C.S. 2nd | 2,959 | — | — |
| Persia ... ... ... ... | C.S. 2nd | 2,020 | — | — |
| Poland ... ... ... | C.S. 1st | 3,210 | — | — |
| Portugal ... ... ... | C.S. 2nd | 1,999 | — | — |
| *Roumania ... ... ... | C.S. 1st | 3,200 | C.S. 1st | 3,200 |
| *Russia and Siberia ... ... | C.C. | 4,647 | C.C. | 4,647 |
| | C.S. 1st | 2,025 | C.S. 1st | 2,025 |
| *S.H.S., Kingdom of ... ... | C.S. 2nd | 2,580 | C.S. 2nd | 2,580 |
| *Spain ... ... ... ... | C.S. 1st | 4,696 | C.S. 1st | 4,696 |
| §*Sweden ... ... ... | C.S. 2nd | 2,924 | C.S. 2nd | 2,924 |
| *Switzerland ... ... ... | C.S. 1st | 3,419 | C.S. 1st | 3,419 |
| *Turkey ... ... ... | C.S. 2nd | 2,346 | C.S. 2nd | 2,346 |
| *United States ... ... | C.C. | 8,802 | C.C. | 8,802 |
| | C.S. 2nd | 1,603 | — | — |
| | C.S. 3rd | 1,056 | — | — |
| °Uruguay ... ... ... | C.S. 2nd | 2,255 | — | — |
| | | 124,712 | | 87,382 |

* Indicates countries in which posts are retained under revised proposals.
† To include Hungary under the revised proposals.
‡ To cover west coast of South America under the revised proposals.
§ To cover Scandinavia under revised proposals.

| | £ | £ |
|---|---|---|
| Salaries of Messrs. Weakley and Manners, &c. ... | 2,093 | 1,968 |
| Office allowances (Reserve Fund) ... ... ... | 920 | Nil |
| Office equipment allowances ... ... ... | 900 | 300 |
| Miscellaneous local travelling allowances ... ... | 975 | 1,100 |
| Travelling expenses on appointment, &c., and recall. | 600 | 2,800 |
| Personal outfit allowances ... ... ... ... | 1,200 | 600 |
| Official visit to United Kingdom ... ... ... | 2,250 | 1,200 |
| Annual and sick leave ... ... ... ... | 3,000 | 1,800 |
| Exchange compensation ... ... ... ... | 2,250 | 2,050 |
| War bonus ... ... ... ... ... | 17,600 | 10,800 |
| Savings since submission of estimates ... ... | 800 | — |
| Total ... ... ... | 157,300 | 110,000 |

II.—*Effect on Consular Service of Application of the Recommendation of the Committee on National Expenditure with Regard to the Department of Overseas Trade.*

It is impossible to estimate in precise figures what reductions of staff, if any, could be effected in the Consular Service should the recommendations of the Committee as regards the Department of Overseas Trade be adopted.

The Consular Service has a variety of duties to perform which are not optional.

*Political work*, more especially in the Near East and in China and Japan, which involves the cultivation of reliable sources of information, the collection and careful sifting of items of political interest—the drawing up of reports to the diplomatic missions or to the Foreign Office. *Shipping work* which includes the administration of the Merchant Shipping Act, entailing in many cases, such as the relief of distressed British seamen, wrecks, the engagement or paying off of crews, considerable correspondence with the Board of Trade, the holding of Naval Courts. The *relief and repatriation* of distressed British subjects, the safeguarding of the interests of British subjects generally, either travelling or resident abroad, which often presents complicated and lengthy negotiations. The winding up of the estates of deceased British subjects. *Passport work* which was before the war of no great importance, has now attained large proportions and takes considerable time at the many posts where passport control officers are not stationed.

*Notarial work* and the *payment of pensions*, the latter having enormously increased in volume since the war.

*Marriages* have to be celebrated.

*Nationality* questions and points of international law.

In countries where we have extra-territorial rights *judicial functions* must also be performed.

The Provisional Estimate for the Consular Service for the year 1922/23 is £1,153,818 as compared with £419,991 for 1913/14.

There are three reasons for this increase.

1. The admitted inadequacy of the emoluments formerly sanctioned for Consular Officers. The findings of the Royal Commission on the Civil Service of 1914 left no doubt on this point. Nothing was done to remedy the existing conditions until Sir A Steel Maitland's recommendations, in so far as they effected the emoluments of Consular Officers, were accepted by the Cabinet in 1919. Actual scales of salary were then raised, rent allowances were made universal and a representation allowance was sanctioned.

2. The increased cost of living, for which the new scales of pay were not intended to provide, has necessitated a bonus calculated on the varying increase in the cost of living in different countries. The amount sanctioned is 40 per cent. of this increase for Vice-Consuls and 30 per cent. for more senior grades.

3. The increase in the number of posts under Sir A. Steel Maitland's scheme.

The number actually sanctioned, which it should be remembered is about one-third of the total number proposed by Sir A. Steel Maitland, is 49, including 7 temporary posts which may eventually be required permanently.

While it is true that Sir A. Steel Maitland had regard to the interests of the commercial community, he emphasised in his Report the very general nature of the duties of Consular Officers, and framed his proposals on the basis of the whole range of the duties of a Consular Service.

While dealing with the increase in the number of Consular posts since 1913/14, it may be observed that between the years 1903/04 and 1913/14 there was also an increase of 49 posts. Such continuous increase appears inevitable as new fields for British enterprise are made available.

The above summary of the duties of the Consular Service has not touched on their commercial work, but it should be pointed out that the following duties of a commercial character are included in the general Consular instructions, which have been in force for many years past :—

> " 1. To furnish immediate information with regard to all important changes in local conditions affecting trade or credit.
>
> " 2. To deal promptly, to the best of their ability, with questions on commercial subjects addressed to them by the Commercial Intelligence Branch of the Board of Trade, or by individual British traders.
>
> " 3. To prepare and keep up to date, for the use of the Board of Trade, lists of the principal dealers in various classes of goods.
>
> " 4. To supply special reports from time to time on matters which appear to the Consular Officer to be of commercial interest, or which may be suggested to him by the Foreign Office.
>
> " 5. To prepare an Annual Report on the trade of their district."

The above shows that duties of a commercial nature have habitually been performed by the Consular Service.

It is impossible to say how far commercial duties occupy the time of Consular Officers at most posts, but at certain posts, *e.g.*, New York, Chicago, Rotterdam and Buenos Aires, special commercial departments have been set up. The annual cost of these four departments is £4,998 in all.

While these special departments could be abolished if necessary, it is impossible, without reference to each individual post, to say what reduction, if any, could be made in the staff at that post, were the commercial work to be relinquished.

It may, however, be affirmed that, having regard to the general duties of the Consular Service, the abandonment of commercial work would not necessarily lead to the closnig of consular posts; it might at most lead to the reduction at larger posts of the number of clerical assistants employed, but in most cases the obligatory work alone, entailed on Consular Officers, would necessitate the retention of the existing staff.

Very careful consideration has been given during the last year to the question of a reduction in the number of consular posts and certain posts, as shown in the attached list, have been noted for abolition, but their abolition cannot be effected until the officers *holding them have retired*, unless arrangements can be made for their retirement on pensionable terms before they have reached the nominal age for retirement.

(Signed) P. LLOYD-GREAME.

EYRE CROWE.

*February* 18, 1922.

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SCHEDULE.

Salaried posts which can be abolished or reduced when corresponding reductions in numbers of personnel can be effected :—

(*a*) Consulates to be abolished, or reduced to unsalaried status :—

*Five* :—Barranquilla, Noumea, St. Pierre, Tahiti and San Juan (Porto-Rico).

(*b*) Consulates to be reduced to Vice-Consulates :—

*Five* :—Vienna, Iquique, Munich, Budapest and Savannah.

(*c*) Vice-Consulates to be abolished, or reduced to unsalaried status :—

*Fourteen* :—Charleroi, Kasai, Leopoldville, Stanleyville, Santos, Rio de Janeiro, Ajaccio, Majunga, Toulon, Taranto, Budapest and *three* at Loanda.

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## PART XV.

| | |
|---|---|
| Stationery and Printing ... ... | Class II (31). |
| Registrar-General's Office, England | Class II (30). |
| Registrar-General's Office, Scotland | Class II (39). |
| Representation of the People Act ... | Class VI (12). |

### Chapter I.

STATIONERY AND PRINTING.

1. The Provisional Estimates for 1922/23 compare with the corresponding expenditure in 1913/14 and with the current year's Estimates as follows :—

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 1,059,724 |
| 1921/22 Net Estimates ... ... | 4,119,944 |
| 1922/23 Provisional Net Estimates ... | 3,163,850 |

In addition, supplies to Liquidation Departments are estimated at :—

£67,500 for 1921/22.
£50,000 for 1922/23.

A detailed comparison of the expenditure under each main heading is given in Appendix A.

Since these figures were furnished, Revised Estimates have been put in, reducing the Net Estimated Expenditure for 1922/23 to £2,996,348 and the estimated value of supplies to Liquidation Departments to £25,000, representing a reduction in the aggregate of £192,502 per annum.

The increase in this Vote represents far more than rise of prices.

New items of expenditure have arisen, *e.g.*, printing under the Representation of the People Act, 1918, estimated to cost £500,000 in 1922/23, half of which is paid by the Local Authorities, and the creation of new Departments, mainly in connection with social legislation, whose stationery requirements are from the nature of their functions and organisation much heavier than those of the older Departments.

2. *Staff.*

The increase in the number of staff employed is shown in the following table :—

| | August 1, 1914. | | August 1, 1921. | | April 1, 1922. | |
|---|---|---|---|---|---|---|
| | Permanent. | Temporary. | Permanent. | Temporary. | Permanent. | Temporary. |
| Administrative and clerical— | | | | | | |
| London ... ... | 122 | 59 | 180 | 619 | 467 | 287 |
| Provinces ... ... | 11 | 13 | 69 | 137 | 161 | 13 |
| | 133 | 72 | 249 | 756 | 628 | 300 |
| Technical— | | | | | | |
| London ... ... | 44 | — | 78 | 55 | 124 | — |
| Provinces ... ... | 7 | — | 18 | 15 | 25 | — |
| | 51 | — | 96 | 70 | 149 | — |
| Industrial— | | | | | | |
| London ... ... | 33 | 196 | 56 | 628 | 56 | — |
| Provinces ... ... | 6 | 26 | 25 | 312 | 25 | 867 |
| | 39 | 222 | 81 | 940 | 81 | 867 |
| Printing Works Staff— | | | | | | |
| Harrow ... ... | — | — | — | 887 | — | 794 |
| Hare Street ... | — | — | — | 574 | — | 447 |
| Kingsway Press ... | — | — | — | 7 | — | 7 |
| India Office Press... | — | — | — | 41 | — | 41 |
| Foreign Office Press | — | — | — | 112 | — | 108 |
| | — | — | — | 1,621 | — | 1,397 |

Apart from the increase in the volume of work performed, changes in policy have occurred which account for a considerable number of the additional staff, such as the substitution of direct labour services for contract work, as in the establishment of a Government Printing Works, the formation of a Transport Section, the reproduction by duplicating processes, and the stocking, issue and distribution of forms previously undertaken by the various Departments.

We observe that in both the Administrative and Clerical and the Technical grades a large transfer from " Temporary " to " Permanent " is contemplated. The Department is of opinion that better results are obtained from Permanent Staff. While in no way dissenting from this view, there is obviously a time of contraction of Government activity ahead of us, and we consider it would be more prudent to wait until a normal level of work is reached before adding to the numbers of Permanent Staff.

3. *Salaries, Wages, &c.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 54,057 |
| 1921/22 Estimate ... ... ... ... | 492,844 |
| 1922/23 Provisional Estimate ... ... | 389,850 |

These figures reflect both the increase in numbers dealt with in the preceding paragraph and the cost of living element in wages. Owing to the great alterations in policy referred to, a comparison with pre-war period is quite an unprofitable one. Although this Department is engaged on commercial work, yet, unlike a commercial concern, its business is to restrict output within the smallest possible compass, and the measure of success which the Department achieves in this direction only serves to enhance the proportion which salaries and wages bear to the total expenditure.

4. *Carriage and Transit.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... .... | 8,527 |
| 1921/22 Estimate ... ... .... ... | 90,000 |
| 1922/23 Provisional Estimate ... ... | 85,000 |

We understand that of the total increase, £50,000 is in respect of outward freight charges, which in 1914 would have been paid by the consignees, and that the remaining £26,400 is attributable to the fact that approximately twice as much material has now to be transported at increased charge and that direct distribution is made to more than twice as many destinations as in 1914.

5. *Parliamentary Debates and Records, and Printing, &c., for Gazettes.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 16,783 |
| 1921/22 Estimate ... ... ... | 70,000 |
| 1922/23 Provisional Estimate ... | 61,000 |

Apart from rise in the cost of paper and in printers' wages, this large increase is attributed to the growth in the volume of Parliamentary records consequent on the extension of the Committee system, and to the greatly increased size of the Official Gazettes. The sale price of the Gazettes has recently been doubled.

6. *Printing, &c., under the Representation of People Act,* 1918.

| | £ |
|---|---|
| 1921/22 Estimate ... ... .... | 700,000 |
| 1922/23 Provisional Estimate ... ... | 500,000 |

The procedure prescribed by the Act involves the printing, twice a year, of registers of electors and the arrangements are conducted by the Stationery Office. Before the passing of the Act the printing was entirely a Local Authority responsibility.

We understand that if the Supplementary lists of names which are prepared and posted publicly every half-year could be substituted, as an effective supplementary register, for one of the complete registers each year, a saving of £85,000 could be effected and we suggest that the necessary steps be taken by legislation or by Order in Council to give effect to this economy.

This proposal does not interfere with the principle of a half-yearly register; if an annual register were reverted to, the total economy would be greater, but this is entirely a question of policy.

7. *Printing, Paper, Machinery and Wages at the Stationery Office Printing Works.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure... | 812,683 |
| 1921/22 Estimate ... ... | 2,904,150 |
| 1922/23 Provisional Estimate | 2,254,000 |

The expenditure in this group is almost entirely dependent on the demands made by Departments. A summary of the Expenditure for the larger Departments on printing and stationery in 1913/14 and 1921/22 is given below :—

| Department. | Expenditure. 1913/14. £ | Estimate. 1921/22. £ |
|---|---|---|
| Board of Trade ... ... ... | 43,588 | 57,000 |
| Patent Office ... ... ... | | 67,700 |
| Mercantile Marine Services ... | | 2,700 |
| Food Department ... ... | | 14,000 |
| Ministry of Pensions ... ... | — | 233,000 |
| Minstry of Health, England ... | — | 94,000 |
| Ministry of Labour (formerly Labour Exchanges and Unemployment Insurance) | 29,604 | 226,000 |
| Air Ministry ... ... ... | — | 103,000 |
| Inland Revenue (England, Scotland and Ireland) ... ... | 57,263 | 313,000 |
| Customs and Excise ... ... | 19,484 | 45,000 |
| Post Office, Telegraphs and Telephones (England, Scotland and Ireland) ... ... ... ... | 215,388 | 490,000 |
| Admiralty ... ... ... ... | 134,234 | 331,000 |
| War Office ... ... ... ... | 128,548 | 400,000 |
| Ministry of Agriculture and Fisheries ... ... ... | 7,521 | 50,800 |
| Foreign Office ... ... ... | 13,998 | 56,000 |

The cost of running the Stationery Office Printing Works at Harrow and elsewhere is included above. The Harrow works were originally purchased in 1918 for the purpose of printing the food coupons for the national scheme of food rationing. We are told that the works tender for Government orders in ordinary

competition with other contractors and that their trading accounts are run on an ordinary commercial basis.

The Works have been the subject of report by Select Committees of the House, and are being maintained for a trial period of three years dating from June 1920. In view of this we make no recommendation, but suggest that the whole question should be thoroughly reviewed before the expiration of the period, the staff being maintained on a temporary basis.

We cannot think that as a general rule such enterprise by Government Departments can be as economical as public tender, but such considerations as temporary rings in the market and other abnormal circumstances may otherwise justify a departure from principle. At the end of the three years trial the matter can be reviewed.

*Miscellaneous Supplies, Binding, &c.*

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... | 254,898 |
| 1921/22 Estimate ... ... ... | 656,950 |
| 1922/23 Provisional Estimate ... | 560,000 |

We have satisfied ourselves that the necessary steps are taken by the Stationery Office to restrict the quantity and cost of issues, and that economy under these heads must result mainly from a reduction in the requirements of Departments, or from a fall in the price of materials or wages.

*Summary.*

The considerable increase in the cost of this Department reflects not only the increase in prices and wages, but also the growth in Departments and Departmental activities since 1913/14; and any restriction of those activities should involve a direct reduction in the corresponding subheads of this Estimate.

The difficulty of the Stationery Office is to check extravagant demands effectually. A good deal is done in this direction, and we have examined in detail a number of instances given to us where objections raised by the Stationery Office have resulted in economy.

Further economies might, we think, be realised if the various forms and returns in all Departments were thoroughly overhauled with a view to standardisation and simplification, and such an examination will, we feel confident, frequently show that the purpose for which the form or return was instituted no longer remains.

Having regard to the recommendations we have made in this and in earlier Reports, we think that the revised Estimates for the Stationery Office should be susceptible of a further reduction during 1922/23 of approximately £150,000 in addition to the £85,000 which might be saved in connection with printing under the Representation of the People Act.

## CONCLUSIONS.

As a result of our consideration, we are of opinion:—

(1.) That the restrictions on the activities of various Departments suggested in our Reports should lead to a further reduction in the Estimates for the Stationery Office approximating in 1922/23 to £150,000.

(2.) That a modification of the procedure under the Representation of People Act, 1918, should, whilst retaining the principle of a half-yearly register, lead to a saving in expenditure on printing of £85,000.

(3.) That the Estimate for the Department for 1922/23 should be fixed at £2,761,348, a reduction below the Provisional Estimate of £402,502, and the amount for supplies to Liquidation Departments at £25,000 instead of £50,000 shown in the Provisional Estimates, a total reduction of £427,502.

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## APPENDIX (A).

### Stationery and Printing.

| —— | Audited Expenditure, 1913–14. | Estimate, 1921–22. | Estimate, 1922–23. |
|---|---|---|---|
| | £ | £ | £ |
| Salaries Wages, &c. ... ... ... | 54,057 | 492,844 | 389,850 |
| Carriage and Transit ... ... ... | 8,527 | 90,000 | 85,000 |
| Incidentals ... ... .. ... | 2,914 | 6,000 | 6,000 |
| Printing, Paper, Binding, &c., for Houses of Parliament. | 82,872 | 100,000 | 88,000 |
| Parliamentary Debates and Records ... | 11,022 | 40,000 | 35,000 |
| Printing, Binding, &c., for Gazettes ... | 5,761 | 30,000 | 26,000 |
| Printing, &c., Representation of People Act. | — | 700,000 | 500,000 |
| *For Public Departments, &c.* | | | |
| Printing ... ... ... ... ... | 399,091 | 890,040 | 750,000 |
| Paper ... ... ... ... ... | 413,592 | 1,400,000 | 1,000,000 |
| Miscellaneous Office Supplies ... ... | 111,546 | 364,850 | 290,000 |
| Binding, &c. ... ... ... ... | 93,585 | 217,825 | 200,000 |
| Books and Maps... ... ... ... | 49,767 | 74,275 | 70,000 |
| *Stationery Office Printing Works.* | | | |
| Machinery, &c. (Purchase and Upkeep) | — | 124,750 | 104,000 |
| Wages ... ... ... ... ... | — | 489,360 | 400,000 |
| Gross total ... ... ... | 1,232,734 | 5,019,944 | 3,943,850 |
| *Deduct*— | | | |
| Appropriations-in-Aid ... ... | 173,011 | 900,000 | 780,000 |
| Net total ... ... ... | 1,059,723 | 4,119,944 | 3,163,850 |

In addition to the above, Supplies to Liquidation Departments are estimated at { £67,500 for 1921–22. £50,000 for 1922–23.

## Chapter II.

### REGISTRAR-GENERAL'S OFFICE, ENGLAND.

CLASS II. (30).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 45,247 |
| 1921/22 Net Estimate ... ... ... | 401,330 |
| 1922/23 Provisional Net Estimate ... | 165,648 |

1. *Numbers of Persons employed* :—

| August 1, 1914. | April 1, 1922. |
|---|---|
| 228 | 300 (estimated). |
| | 500 (temporary staff in connection with Census). |
| | 800 |

It must be pointed out that a comparison between 1922/23 and 1913/14 is quite misleading, since in the Estimates for 1922/23 a sum of £75,000 is included in connection with the Census of last year, and there was no such provision in 1913/14.

2. *Functions of the Registrar-General.*

There are three classes of duties now undertaken by the Registrar-General's Office which did not obtain in 1913/14 :—

1. The purely temporary work involved by the preparation of the report on the results of the 1921 Census will shortly reach its maximum and will remain heavy during 1922/23. The work in connection with the 1911 Census was practically complete before the financial year 1913/14.
2. A large amount of verification work is now undertaken on behalf of the Ministry of Pensions and the Service Departments and arises out of the war.
3. Certain new administrative work in connection with Electoral Registration.

The chief normal function of the Registrar-General is in connection with registration and statistics of births, marriages and deaths. This registration is carried on outside the Head Office by three separate sets of statutory Registrars, viz., Registrars of Births and Deaths, Superintendent Registrars, and Registrars of Marriages. Of these, the first two classes are appointed by the Guardians, and the Registrars of Marriages are appointed either by the Superintendent Registrars or by the Registrar-General. In all three cases, the appointments are held during the pleasure of the Registrar-General.

The system is an antiquated one and indeed, its connection with Poor Law dates back to 1836. There is no organic connection between the Registration Service and the Poor Law, but the Poor Law system was, at that time, the only existing system of ubiquitous local administration and the Registration Service was tacked on to it for convenience.

The Registrars are paid in a variety of ways, contributions being made by the Guardians and the Exchequer to supplement their proceeds from fees. The total cost of the Registration Service amounts to approximately £440,000 per annum. Of this amount, £120,000 is paid out of the Poor Rate, £30,000 out of the Exchequer, and the fees paid by the public account for £290,000. These figures are exclusive of the cost of the Head Office. It will be seen, therefore, that the revenue, apart from Head Office, fails to meet the cost of registration by £150,000 per annum, and this is not surprising, seeing that the ordinary statutory fees payable by the public were fixed in 1836, and none of them has since been increased.

We understand that the Registrar-General has in preparation a scheme for reorganising the Registration Service to synchronise with a revision of the fees charged to the public. This reorganisation and revision of fees has the object of relieving the rates and the Exchequer of the burden which at present falls upon them and of effecting economies in the case both of this Registration Service and the Electoral Registration Service, and, at the same time, it aims at providing a more elastic and cheaper system of machinery for future Census purposes. We understand that this reorganisation and the revision of the fees require to be put into force simultaneously, and that some little time must elapse before it can be effected, but we recommend that it should be given very full consideration in view of the economies which it promises.

3. *Fee Income of the General Register Office.*

As regards fee income of the General Register Office itself at Headquarters, it is estimated that at the existing scale of fees it should amount to £18,000 in 1922/23. One-third, roughly, of this sum is derived from searches and two-thirds from certificates. The proposals of the Registrar-General to which we have referred above contemplate an increase of this scale, which should raise the fee revenue to £34,000. It is not, however, considered desirable to introduce this revised scale at Headquarters until the reorganisation of the staff and the revision of the fees in the provinces have been effected. Such a step would merely divert the business from Headquarters to the local Superintendent Registrars. There is, however, one particular piece of work of the Head Office in respect of which an increased fee could be contemplated immediately, *i.e.*, in connection with applications for certificates by post. This work involves a search of records by the staff in addition to the issue of a certificate. The present charge is only 1*s.*, which is the same as is charged for a search made by a member of the public in person. We therefore recommend that this fee should be increased from 1*s.* to 2*s.* 6*d.*, in order to make the work of the postal search-room more self-supporting. The increase in the Appropriations-in-Aid resulting therefrom is estimated at £3,600 annually.

## CONCLUSIONS.

**We are of opinion that:—**

**(1.) The organisation of the Registration Service and the present scale of fees should be revised, so that the whole Service may be self-supporting, with an**

**ultimate saving of £150,000 to the Exchequer and the local Rates.**

**(2.) That the fees for postal searches should be increased so as to produce an additional revenue of £3,600.**

**(3.) That the Provisional Estimate should accordingly be reduced to £162,048, a saving of £3,600.**

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## Chapter III.

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### REGISTRAR-GENERAL'S OFFICE, SCOTLAND.

CLASS II (39).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 6,003 |
| 1921/22 Net Estimate ... ... ... | 85,758 |
| 1922/23 Provisional Net Estimate ... | 27,740 |

The Provisional Estimate has since been reduced to £24,519, a saving of £3,221.

*Numbers of Persons Employed—*

| August 1, 1914. | April 1, 1922. |
|---|---|
| 37 | 47 (estimated). |
| | 93 (temporary staff in connection with Census). |
| | 140 |

As in the case of the Vote for the Registrar-General, England, comparison with 1913/14 is vitiated, owing to the fact that a considerable amount of work will remain to be done as a result of the Census of last year which did not obtain in 1913/14.

Of the Provisional Estimate, work in connection with the Census accounts for £9,696. This has since been reduced by more than £2,000.

As regards the normal work of the Registrar-General's Office, Scotland, in connection with the registration of births, marriages and deaths, we suggest that full consideration should be given to the scheme for the reorganisation of the service and the revision of fees, as we have described in our Report on the Registrar-General's Office, England.

We make no recommendation on this Vote other than that, as in the case of England, the fee for postal search should be increased from 1*s.* to 2*s.* 6*d.*

The revised Estimate, as has already been pointed out, shows a reduction of £3,221 on the Provisional Estimate of July last.

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## Chapter IV.

### REPRESENTATION OF THE PEOPLE ACT.

CLASS VI (12).

| | £ |
|---|---|
| 1913/14 Audited Expenditure ... ... | 16,783 |
| 1921/22 Estimate ... ... ... ... | 70,000 |
| 1922/23 Provisional Estimate ... ... | 61,600 |

This Vote is to provide for the payment to the Councils of Counties and Boroughs of one half of the sums paid by these Councils for Registration expenses under the Representation of the People Act, 1918. In 1913/14 there was no similar Vote, but the Vote for Miscellaneous Legal Expenses included, in respect of the Revising Barristers (England), a sum of £25,462, of which one-half was recoverable as an Appropriation-in-Aid.

*Persons Employed.*

Up to 1918, election expenses were borne by the local authorities and the candidates, except as regards the Revising Barristers mentioned above. On the 1st August, 1921, there were six temporary officers employed in the Treasury County Courts Department. On the 1st April, 1922, the position will be the same, with a proviso that, in the event of a General Election, a temporary increase of twenty-four would be required.

*Cost of Electoral Registration.*

Under the Representation of the People Act, 1918, it is provided that two Registers of Electors are to be prepared every year by the Registration Officers, and there is a Registration Officer for each area. Any expenses properly incurred by the Registration Officer in this work, including his own remuneration, are paid by the Council, and one-half of the Registration expenses so paid is repaid to the Council out of this Vote. The sum of £350,000 contained in this Estimate represents what is anticipated to be half the cost of the Registration Officers for the year in connection with the preparation of the two Registers which are required each year. If it were decided that one annual Register, instead of two, would suffice, it is estimated that there would be a saving of less than half of this Vote. This, however, raises a question of policy on which we express no opinion. In addition to the saving on this Vote, there would be a saving on the Vote for the Stationery Office, which, for the current year, shows an item of £700,000 for printing and paper required for Voters' Lists and Registers. Half of this sum is recoverable from local authorities. We have dealt with this point on the Stationery Office Vote.

## PART XVI.—MISCELLANEOUS GROUP.


PETERHEAD HARBOUR ... ... ... ... CLASS I (12).
SUPERANNUATION AND RETIRED ALLOWANCES CLASS VI (1).
MERCHANT SEAMEN'S WAR PENSIONS ... ... CLASS VI (4).
MISCELLANEOUS EXPENSES ... ... ... CLASS VI (5).
NATIONAL SAVINGS COMMITTEE ... ... CLASS VI (8).
IMPERIAL WAR GRAVES COMMISSION ... ... CLASS VI (9).
NATIONAL INSURANCE AUDIT DEPARTMENT ... CLASS VII (7).
ROAD FUND.
STATE MANAGEMENT DISTRICTS.


### Chapter I.

### PETERHEAD HARBOUR.

CLASS I (12).

1. This Vote is in respect of the construction of the Harbour of Refuge at Peterhead. The following table gives a comparison of the expenditure of 1913/14 and the Estimates for 1921/22 and 1922/23 :—

| | Audited Expenditure 1913/14. | Estimate 1921/22. | Provisional Estimate 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Works ... ... ... ... | 27,065 | 28,453 | 22,271 |
| Salaries ... ... ... | 2,089 | 3,389 | 3,171 |
| Travelling and Incidentals ... | 307 | 100 | 100 |
| Insurance of Boilers ... ... | 35 | 58 | 58 |
| | 29,496 | 32,000 | 25,600 |

The Provisional Estimate for 1922/23 has since been reduced to £25,000—a reduction of £600.

A vote for this service was first taken in 1885 and it has always been accounted for by the Admiralty.

The scheme for the construction of this Harbour of Refuge originated in the report of a Committee in 1882, which was appointed to consider the most suitable form of public works upon which convict labour could be employed. The Committee reported in favour of the construction of this Harbour at an estimated cost of £250,000, exclusive of the cost of housing and maintaining the convicts. Work was commenced in 1885 on a scheme estimated to cost £737,000, and has proceeded, with a short interval during the war, ever since. In 1903, the Treasury agreed to provide £32,000 per annum, so as to expedite the work and to complete it, as was then thought, in eighteen years, *i.e.*, by 1921.

2. *Financial Position.*

Up to the 31st March, 1921, rather less than £1 million had been voted for this scheme by annual instalments, and £900,000 had actually been spent. It will be seen, therefore, that the estimate for the whole work has already been considerably exceeded though the work is far from being completed. An estimate has been supplied to us showing that the total cost of this work is provisionally estimated at £1,592,147. Of this amount, £907,000 had been spent up to the 31st March, 1921. If the annual Votes are to continue to be at the rate of £25,000 now proposed, the work will not be completed for another twenty-six years.

There are three alternatives :—

1. To slow down the work and only do maintenance of what has already been constructed.
2. To abandon the work.
3. To continue the work on the present scheme, or a modified scheme.

As regards (1)—slowing down the work—the Treasury in September 1921 raised this Specific point in view of the present financial circumstances. The suggestion is opposed by all parties.

It is urged that the Harbour of Refuge will be of utility when completed; that there are no other means of employing the convicts so suitably: that the policy of slowing down would cost £14,000 a year quite unprofitably; that the present incomplete state of the breakwaters makes the Harbour dangerous, and that the local labour engaged on the work, in addition to the convicts, would lose its employment.

The arguments against slowing down apply also to alternative (2) above, viz., the abandonment of the scheme, which would mean the sacrifice of nearly £1 million in wages and material and the results of thirty-seven years' work, and in the end the Harbour would be in a worse condition than before.

We are therefore driven to consider alternative (3)—to continue the work.

The Consulting Engineers hope to make an average surface progress of 80 to 100 ft. of breakwater, both in the current and the forthcoming financial years, though much depends on sea conditions and the cost of material. The completion of the northern breakwater is the only capital work remaining to be done.

We are far from being satisfied that the Harbour is really required. During the war, the Harbour was used by a considerable number of Naval vessels and others owing to the exceptional conditions in the North Sea, but we are informed that, at the present time, it is only used as a Harbour of Refuge by trawlers, drifters and other fishing craft and small sailing vessels proceeding coastwise, but even so, during a storm, the number does not exceed ten, and from the information before us we are of opinion that these works are likely to be of small national importance even though they ultimately formed a good Harbour of Refuge for fishing vessels. It will have taken sixty-three years to build (at the present rate of annual instalment), and will have

cost twice the amount estimated in 1885. The position seems to us to be unsatisfactory, and while we do not suggest the abandonment of the work, after so much money and labour has been expended on it, or the restriction of the work to mere maintenance (at a cost of £14,000 a year without any return), we strongly recommend that this subject should be at once examined with a view to seeing whether some modification of the plans cannot be introduced which will shorten the work and decrease the outstanding liability of £653,000. We are of opinion that a total sum of £1½ million is a big price to pay in order to provide suitable employment for convicts. Meanwhile, until a decision is arrived at by the Government as to possible modification of the plans, we feel that there is no alternative to recommending that a provision of £25,000 should be allowed for 1922/23. It will be observed that the revised Estimate gives a saving of £600 on the Provisional Estimate of July last.

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## Chapter II.

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### SUPERANNUATION AND RETIRED ALLOWANCES.

CLASS VI (1).

1. The following table shows a comparison of the Expenditure for 1913/14 and the Estimates for 1921/22 and 1922/23 :—

| Sub-head. | —— | Audited Expenditure, 1913/14. | Estimate, 1921/22. | Provisional Estimate, 1922/23. |
|---|---|---|---|---|
| | | £ | £ | £ |
| A. | Superannuation Allowances | 676,437 | 736,811 | 850,000 |
| B. | Compensation Allowances ... | 37,922 | 37,252 | 38,000 |
| C. | Additional Allowances and Gratuities. | 58,474 | 275,000 | 300,000 |
| D. | Compassionate Gratuities ... | 3,639 | 7,500 | 8,000 |
| E. | Injury Grants ... ... | 2,252 | 5,281 | 10,000 |
| | Miscellaneous Small Grants | 5,470 | 3,372 | 3,250 |
| | Diplomatic Pensions ... | In Subhead A above | 49,513 | 50,000 |
| | Colonial Governors' Pensions | | 13,096 | 14,000 |
| | County Court Judges Supplementary Pensions. | | 4,839 | 7,000 |
| | Total ... ... | 784,194 | 1,152,664 | 1,280,250 |

*Note.*—A Supplementary Estimate for 1921/22 is anticipated.
The Provisional Estimate for 1922/23 has since been increased to £1,452,472—an increase of £172,222.

2. This Vote represents the non-effective benefits paid to all Civil Servants, except employees of the Fighting Services Departments and the Revenue Departments, whose non-effective

allowances, although granted in accordance with the Civil Superannuation Acts, are borne upon the Votes of the individual Departments, as shown in the following table :—

TABLE of Civil Superannuation Cost in Fighting Service Departments and Revenue Departments.

| — | Audited Expenditure 1913/14 (including Expenditure under Workmen's Compensation Act.) | Estimate, 1921/22. | Provisional Estimate, 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| Army— | | | |
| Superannuation ... ... | 137,463 | 186,800 | 186,800 |
| Injuries, &c. ... ... | | 65,500 | 65,500 |
| Navy— | | | |
| Superannuation ... ... | 392,223 | 636,200 | 884,200* |
| Injuries, &c. ... ... | | 180,500 | |
| Air Force— | | | |
| Superannuation ... ... | — | 5,384 | 5,384 |
| Injuries, &c. ... ... | — | 11,150 | 11,150 |
| Customs and Excise‡ ... | 488,477 | 905,000<br>330,000† | 730,000 |
| Inland Revenue‡ ... ... | 130,805 | 222,000 | 265,000 |
| Post Office— | | | |
| Superannuation ... ... | 989,348 | 2,275,700 | 2,195,700 |
| Injuries, &c. ... ... | | 15,000 | 15,000 |

* £88,000 of this is for injuries, &c.
† Probable Supplementary.
‡ The payments for injuries, &c., in these Departments are negligible.

Adding the foregoing table to the amount of the Vote as set out at the head of this Chapter, we find that the total figures of expenditure upon Civil Superannuation and Injury Grants are as follows :—

| Audited Expenditure, 1913/14. | Estimate, 1921/22. | Provisional Estimate, 1922/23. |
|---|---|---|
| £ | £ | £ |
| 2,922,510 | 5,655,898<br>*plus :* 680,000* | 5,638,984 |
| Total ... 2,922,510 | 6,335,898 | 5,638,984 |

* Probable Supplementary Estimate.

3. *Calculation of Bonus in Assessing Pension.*

Bonus was first made pensionable in part in connection with the Civil Service Arbitration Board Award of March, 1919. Subsequent agreements endorsed the principle and the present arrangement under which 75 per cent. of the bonus received at

the date of retirement reckons as an emolument for pension purposes, was embodied in the Civil Service Whitley Council Cost of Living Agreement, dated the 8th May, 1920.

It has been explained to us that this decision as to the calculation of bonus for pension purposes was only arrived at after very careful consideration of various alternatives, all of which were open to strong objection.

Since the above decision was arrived at, difficulty in the administration of the arrangement has been caused by the unexpectedly rapid fall in the average cost of living figure for the six months ending the 31st August, 1921, which, together with the super-cut for the higher salaries, brought about a situation in which there was a very marked difference in the Superannuation Allowances as between officers retiring just before or just after the 1st September, 1921. The sudden drop in bonus on the 1st September, 1921, gave a strong inducement to Civil Servants eligible to retire before the 1st September to do so. A table showing the retirements in each of the five quarters to the 30th September, 1921, is appended to this Report (Appendix (A) ). This state of affairs coincided, however, with reorganisations and retrenchments, and Heads of Departments were able to avail themselves of the readiness of older Civil Servants, or of those whose health was such as to interfere with the efficient discharge of their duties, to retire and so facilitate plans for the reduction of staff. We are informed that, in the opinion of the Treasury, both economy and greater efficiency have been obtained by these changes.

The increases in this Vote are due to the following factors :—

1. The progressive increase in past years in the pensionable establishments of the Civil Service.
2. Increased rate of pension and additional allowances due to the admission of 75 per cent. bonus as a pensionable emolument.
3. An increase in the number of pensioners due to the exceptional number of retirements prior to the 1st September, 1921, explained above.
4. The increases in certain pre-war pensions under the provisions of the Pensions (Increase) Act, 1920.

4. *Injury Grants.*

It will be seen from the table at the head of this Report that Sub-Head E—Injury Grants—has increased from £2,252 in 1913/14 to £10,000 in 1922/23. These payments are governed by the Workmen's Compensation Acts and similar Statutory provisions.

## CONCLUSION.

**We do not consider it possible to recommend any course which is likely to lead to a reduction of the amount necessary for these Services. It is inevitable that the growth of the Civil Service should be reflected in the Superannuation Vote for many years**

to come. It will be observed, as we have stated at the outset of our Report, that the Provisional Estimate for 1922/23 of £1,280,250 has since been increased to £1,452,472, an increase of £172,222.

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## APPENDIX (A).

A table is attached showing the total number of retirements on pension of persons in receipt of the Civil Service Bonus (*i.e.*, excluding industrial employees) for the five quarters ending the 30th September, 1921 :—

| Departments. | Quarter ending— | | | | | |
|---|---|---|---|---|---|---|
| | Sept. 30, 1920. | Dec. 31, 1920. | Mar. 31, 1921. | June 30, 1921. | Sept. 30, 1921. | Totals. |
| Civil Departments (excluding the fighting and revenue Departments). | 94 | 137 | 90 | 130 | 225 | 676 |
| Admiralty ... ... | 20 | 27 | 13 | 19 | 18 | 97 |
| Air Ministry ... ... | — | 1 | 1 | — | 1 | 3 |
| Customs and Excise ... | 39 | 46 | 46 | 82 | 464 | 677 |
| Inland Revenue ... | 15 | 8 | 5 | 5 | 50 | 83 |
| Post Office ... ... | 353 | 358 | 316 | 510 | 655 | 2,192 |
| War Office ... — | 15 | 17 | 17 | 11 | 48 | 108 |
| Cases in Treasury on 1st October in respect of which awards had not been made. | — | — | — | — | 190 | 190 |
| Total ... ... | 536 | 594 | 488 | 757 | 1,651 | 4,026 |

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## Chapter III.

## MERCHANT SEAMEN'S WAR PENSIONS.

CLASS VI (4).

| | £ |
|---|---|
| 1921/22 Estimate ... ... ... | 595,485 |
| 1922/23 Provisional Estimate ... ... | 534,600 |

A revised Estimate has since been furnished amounting to £537,391.

Under schemes initiated in connection with the Marine War Risks Insurance Schemes, the Government undertook to pay compensation, including pensions to widows and allowances to

children, in the case of Merchant Seamen who lost their lives or were injured on British Merchant Ships and Fishing Vessels through War perils. Up to the 31st March, 1921, payments were made from the War Risks Insurance Fund, and on the winding-up of the Fund, provision requires to be made from Votes. The benefits conform generally with those of the Pensions Warrants, and the present basis of awards will be subject to revision in common with pensions under those Warrants in 1923. The capitalised value of the pensions and allowances at present being paid is about £8,250,000.

The number of staff engaged in administering the pensions is estimated at 29 on the 1st April next as compared with 32 on the 1st August, 1921.

This Service is a liability arising out of the War, and we make no recommendation.

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## Chapter IV.

### MISCELLANEOUS EXPENSES.

CLASS VI (5).

The net expenditure under this Vote shows the following comparison :—

| | £ |
|---|---|
| 1913/14 Net Expenditure ... ... | 7,883 |
| 1921/22 Net Estimate ... ... ... | 29,192 |
| 1922/23 Provisional Net Estimate ... | 21,553 |

The Provisional Estimate for 1922/23 has since been reduced to £12,479—a saving of £9,074.

This is a Vote composed of heterogenous items which do not conveniently fall under other Votes.

There is only one item on which we comment, viz., a provision of £5,000 for a Grant-in-Aid to the Empire Parliamentary Association. A similar sum appeared in the Estimates for 1921/22. We understand that this Association was formed in 1911 for the purpose of facilitating the exchange of information and visits and to provide a ready means of intercourse between Members of the different Parliaments of the Empire. Its Headquarters are at the House of Lords, where all information connected with Dominion Parliamentary and public affairs is collected and made available for Home and Dominion purposes.

*Financial Position.*

In the year 1919/20, the Association first asked for a Grant-in-Aid. Their working expenses were calculated to be as follows :—

| | £ |
|---|---|
| Fees to writers ... ... ... ... | 1,090 |
| Printing ... ... ... ... ... | 1,160 |
| Office staff and expenses ... ... ... | 2,750 |
| | 5,000 |

In 1919 and in subsequent years, the House of Commons voted £5,000 as a Grant-in-Aid, which thus covers the working expenses of the Association. We understand that voluntary subscriptions only amount to some £400 a year and are allocated to hospitality purposes. We are informed that the Treasury have recently reviewed this grant and propose that, in 1922/23, it should be reduced by 20 per cent. to £4,000.

There will therefore be a saving of £1,000, in addition to the £9,074 by which the Provisional Estimate has been reduced in the Revised Estimate.

## Chapter V.

### NATIONAL SAVINGS COMMITTEE.

CLASS VI (8).

There was no similar expenditure in 1913/14, but the following table shows a comparison of the Estimates for 1921/22 and 1922/23 :—

| | Estimate 1921/22. | Provisional Estimate 1922/23. |
|---|---|---|
| | £ | £ |
| Salaries, Wages, &c.... ... ... | 72,412 | 59,700 |
| Travelling and Subsistence ... | 12,000 | 10,500 |
| Incidentals ... ... ... ... | 750 | 700 |
| Expenses of Local Committees ... | 15,000 | 10,000* |
| Advertising ... ... ... ... | 500 | 250 |
| Special Propaganda ... ... ... | 1,000 | 250 |
| | 101,662 | 81,400 |

The Provisional Estimate for 1922/23 has since been increased to £88,247—an increase of £6,847.

We are informed that this organisation, which deals with the sales of Savings Certificates, is regarded as valuable by the Treasury, who hope that it will remain a permanent part of the financial machinery of the State. Its object is to encourage saving by offering special facilities to the small investor in Government Securities, and it aims at fostering a habit of saving

* Includes £2,000 for Ireland.

which grew up during the war under the War Savings movement. Its usefulness has been strongly emphasised by two expert and authoritative Committees and its record in the form of sales of Savings Certificates is shown in the table attached (Appendix (A)).

*Staff.*

The following table shows the number employed at Headquarters :—

| | August 1, 1921. | April 1, 1922. |
|---|---|---|
| (*a*) Permanent ... ... ... | 40 | 52 |
| (*b*) Temporary ... ... ... | 228 | 152 |
| | 268 | 204 |

Of the staff of 268 in August 1921, only 40 held permanent posts, and of these 32 are pensionable. The staff position has been carefully watched in order that the numbers might always be kept in strict proportion to the volume of business, and as a result of a recent review, it was expected that, by the beginning of 1922/23, the staff will have been reduced to 204.

Apart from the Headquarters staff, the work throughout the country has been carried out by a large body of voluntary workers, numbering over 200,000, who carry on the work of 1,700 Local Committees and 25,000 Associations or Savings Clubs. Further new Associations are being formed at an average rate of 90 per month among Factories, Works, Schools and social organisations.

## CONCLUSION.

**We are of opinion that this system and organisation brings in real savings very largely contributed from sources hitherto untapped and that it encourages thrift. In these circumstances, we recommend the continuance of the organisation provided that the Headquarters staff is constantly kept under review. We assume that the sum of £2,000 included for the expenses of Local Committees in Ireland will be removed from the Vote for 1922/23.**

## APPENDIX (A).

TABLE showing Sales of Savings Certificates.

| | Number Sold during Year. | Cash Value. | Withdrawals, excluding Interest. | Net Cash Total. |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| 1916 ... ... ... | 54,430,604 | 42,183,718 | 287,448 | 41,896,270 |
| 1917 ... ... ... | 86,465,571 | 67,010,817 | 3,135,733 | 63,875,084 |
| 1918 ... ... ... | 139,804,879 | 108,348,782 | 6,286,991 | 102,061,791 |
| Totals 1916/18 ... | 280,701,054 | 217,543,317 | 9,710,172 | 207,833,145 |
| 1919 ... ... ... | 101,952,837 | 79,013,449 | 19,864,618 | 59,148,831 |
| 1920 ... ... ... | 57,787,499 | 44,785,311 | 31,829,879 | 12,955,432 |
| 1921 (to June) ... | 25,640,274 | 19,871,212 | 13,254,464 | 6,616,748 |
| Totals 1919–June 1921. | 185,380,610 | 143,669,972 | 64,948,961* | 78,721,011 |
| Grand total ... | 466,081,664 | 361,213,289 | 74,659,133 | 286,554,156 |

* The total withdrawals over the whole period (£74,659,133) are of course in respect of a total issue of £361,213,289 certificates, and bears no relation to new certificates taken out in a given year.

The total outstanding at the beginning of 1921 was £279,937,408. During the six months to June 1921, a further £19,821,212 was invested and £13,254,464 withdrawn.

## Chapter VI.

## IMPERIAL WAR GRAVES COMMISSION.

CLASS VI (9).

| | £ |
|---|---|
| 1920/21 Estimate ... ... ... | 1,491,000 |
| 1921/22 Estimate ... ... ... | 605,400 |
| 1922/23 Provisional Estimate ... ... | 1,407,092 |

1. The Commission is an Imperial body established under Royal Charter with the duty of constructing and maintaining the graves of Imperial Service personnel who fell in the Great War, numbering some 600,000. It is financed jointly by the British and Dominion Governments in proportion to the number of graves for which each would ordinarily be responsible.

Apart from the cost of a small staff (4 in number) and of the acquisition of sites in this country which is a purely United Kingdom charge, the Vote is required to provide the British

share, provisionally fixed at 81·52 per cent. of the common expenditure. This share is given in the form of a Grant-in-Aid which, when voted, is paid into the common fund and is not subject to Treasury control, although the Treasury is represented on the Commission's Finance Committee. Any unexpended balance at the end of the year is carried forward or applied to reduce the Grant-in-Aid for the following year.

The original Estimates of common expenditure were as follows :—

| | £ |
|---|---|
| 1920/21 ... ... ... ... | 2,787,000 |
| 1921/22 ... ... ... ... | 2,366,720 |
| 1922/23 ... ... ... ... | 2,316,000 |

2. The staff employed is :—

| | August 1, 1921. | April 1, 1922 (estimated). |
|---|---|---|
| Administrative, Technical and Clerical ... ... ... | 1,180 | 1,095 |
| Industrial ... ... ... | 1,367 | 1,948 |
| Total ... ... | 2,547 | 3,043 |

The numbers proposed for 1922/23 will be distributed as follows :—

| | | |
|---|---|---|
| *Headquarters:* | | |
| Administrative, Technical and Clerical ... ... | | 591 |
| *Abroad:* | | |
| Administrative ... ... | 13 | |
| Technical and Clerical... ... | 491 | |
| Industrial ... ... ... | 1,948 | 2,452 |
| Total ... ... | | 3,043 |

3. The work of the Commission has not yet reached its maximum activity and we are informed that owing to unavoidable delays the rate of progress has been much slower than was anticipated, and that falling prices and economies have enabled the average contract cost per grave to be reduced from £10 to £7 10*s*. The actual common expenditure for 1920/21 was £965,000 only, and the revised estimates of common expenditure recently furnished for the subsequent two years are :—

| | £ |
|---|---|
| 1921/22 ... ... ... ... | 1,441,113 |
| 1922/23 ... ... ... ... | 1,863,000 |

As a result a balance of £1,079,000 is estimated to be carried forward on the 31st March next and the Commission have further agreed, on the representation of the Treasury, that the expenditure in 1922/23 should be limited to £1,750,000. These alterations will reduce the sum required from the Exchequer next year to £356,701.

We have not examined the common expenditure in detail, but we would point out that it materially concerns the United Kingdom Taxpayer who contributes 81·5 per cent. of the total. We are assured that the arrangements for consultation between the Commission and the Treasury are considered to be satisfactory.

**We do not suggest any alteration in the reduced Estimate of £356,701 now proposed, which represents a reduction of £1,050,391 upon the Provisional Estimate.**

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## Chapter VII.

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### NATIONAL INSURANCE AUDIT DEPARTMENT.

CLASS VII (7).

The following table shows a comparison of the expenditure for 1913/14 and the Estimates for 1921/22 and 1922/23 :—

| Sub-Heads. | Audited Expenditure, 1913/14. | Estimate, 1921/22. | Provisional Estimate, 1922/23. |
|---|---|---|---|
| | £ | £ | £ |
| (A.) Salaries, &c. ... ... ... | 69,882 | 208,020 | 182,580 |
| (B.) Travelling expenses, &c. ... | 9,186 | 9,500 | 9,000 |
| (C.) Incidental expenses ... ... | 2,269 | 1,200 | 1,200 |
| Gross Total ... ... | 81,337 | 218,720 | 192,780 |
| (D.) Appropriations-in-Aid... ... | — | 1,450 | — |
| Net Total ... ... | 81,337 | 217,270 | 192,780 |

The Provisional Estimate for 1922/23—£192,780—has since been reduced to £183,180—a saving of £9,600.

This Department was created in 1912, in accordance with the provisions of the National Insurance Act, 1911, to conduct the audits of all the Approved Societies and Insurance Committees and we understand that Government Audit is the main instrument by which the administration of the complicated Health Insurance scheme by thousands of Societies and branches is kept on reasonably uniform and efficient lines.

*Staff.*

The following table shows the numbers employed :—

| | August 1, 1914. | August 1, 1921. | April 1, 1922. |
|---|---|---|---|
| (*a.*) Permanent ... ... | 544 | 482* | 497* |
| (*b.*) Temporary ... ... | 236 | 17 | — |
| Total ... ... | 780 | 499 | 497 |

* Includes 11 officers lent to other Departments.

The decrease of staff since August 1914 from 780 to 497 is almost entirely due to the completion of the initial work of organising the Approved Societies. That work involved the engagement of a large amount of clerical assistance at low rates of pay and the reduction in numbers is therefore not reflected proportionately in the cost.

The numbers of staff for the year 1922/23 are those which the Treasury are satisfied are required for the work of full audit in a normal year, including the work for the quinquennial valuations. We are assured that any modification of the audit would involve more loss of efficiency in the accounts of the Approved Societies than it would mean saving on the reduced Audit Staff. We think that this staff should be kept constantly under review. An amalgamation of small Societies would result in a decrease in the number of audits and a saving in staff.

**We are of opinion that the cost of this audit should be borne by the Approved Societies and should be charged as an "administrative expense" towards which the State would contribute its ordinary proportion of 2/9ths. The State contribution would thus be about £40,000 for 1922/23, a saving of approximately £140,000.**

## Chapter VIII.

### ROAD FUND.*

This Fund is not an ordinary Supply Service. Prior to the establishment of the Ministry of Transport the Road Fund was administered by the Road Board, and was financed by assigned revenues derived from the Motor Spirit and Carriage Licence Duties. These revenues were withdrawn during the war. In 1920/21 the Fund was again assigned the revenues of the Motor Spirit and Carriage Licence Duties during the first nine months of the year, after which the net proceeds of the new tax on

* With your approval the Chairman of the Committee took no part in the consideration of this subject or in framing the above report in view of the fact that he himself was the Minister of Transport.

mechanically-propelled vehicles has been paid into the Fund in accordance with provisions in the Roads Act, 1920.

The amount of the net receipts of the Road Fund from taxation available for expenditure on Road works during the last two years is estimated as under :—

| | £ |
|---|---|
| Year ending 31st December, 1921 ... | 8,450,000 |
| Year ending 31st December, 1922 ... | 8,388,000 |

The purpose of the Fund is to make grants and loans to Highway Authorities throughout the country in aid of the expenditure incurred by them in the construction, maintenance and improvement of roads and bridges. For the purpose of enabling the contributions towards maintenance to be equitably distributed the roads of the country have been classified, and during the last year 50 per cent. of the approved expenditure on maintenance of Class I, roads, was borne by the Exchequer, and 25 per cent. of the expenditure on Class II, roads. Nothing is given to other roads.

We find that in every case where grants have been made a definite limit of money has been fixed by the Ministry of Transport, so that in no case has the State incurred an unlimited liability.

The assignment to road purposes of the proceeds of motor taxes was in the nature of a bargain with motor users, and while this bargain stands we do not feel that we can make any recommendation.

## Chapter IX.

### STATE MANAGEMENT DISTRICTS.

(Formerly Liquor Control Board.)

| | £ |
|---|---|
| 1920/21 Estimates (Liquor Control Board) ... ... ... ... | 305,000 |
| 1921/22 Estimates (Liquor Control Board) ... ... ... ... | 172,540 |
| 1922/23 Provisional Estimates ... | 159,935 |

1. A sum of £138,000 is the estimated extra receipts payable to the Exchequer in 1922/23 in connection with this Service. The expenditure is divided as follows :—

| | 1921/22. £ | 1922/23. £ |
|---|---|---|
| Salaries and Expenses of Central Staff ... ... | 22,040 | 6,435 |
| Acquisition of Licensed Premises and Additions and Improvements (Capital Expenditure) ... | 150,000 | 153,500 |

The cost of actually conducting the business on the spot is charged to the Trading Account.

2. During the war the State undertook the direct control of the Liquor Traffic in four areas—Carlisle, Gretna, Cromarty Firth and Enfield Lock—with the object of maintaining the greatest possible efficiency of the munition workers in those areas. The retail sale of intoxicating liquor was taken over, full compensation being paid to the trade, so that within the areas there is now a virtual State monopoly of the retail liquor traffic. In the Carlisle area breweries have also been taken over. The administration was originally carried on by the Liquor Control Board. On the termination of the Board its functions have been transferred under the Liensing Act, 1921, to the Home Office and Scottish Office acting jointly.

We have been furnished with a statement of the assets and liabilities of the whole undertaking as at the 31st March, 1921, together with a Profit and Loss Account, from which it appears that the total capital employed was approximately £1,270,000, of which over £1,000,000 represents capital assets, and that during the year 1921 a profit of about £138,000 was made. The total profit made during the period from the 1st April, 1918, to the 31st March, 1921, one mainly of good trade, amounts to £464,000, representing approximately 12½ per cent. on the average capital employed during that period. This profit is arrived at before making provision for interest on capital provided by the Exchequer, Excess Profits Duty and Income Tax which would have been payable by a private firm.

3. The original object for which this trading operation was undertaken no longer exists and there does not appear to be any reason for its continuance as a State undertaking, except for the purpose of making an experiment in the direct administration of the liquor traffic. We are informed that the scheme is not intended to be primarily profit making, but that its present as well as its original aim is the provision of food and drink under model conditions.

The Licensing Act, 1921, provides that if the Secretary of State or the Secretary for Scotland is satisfied that any property vested in him by the Act is no longer required, he may sell or otherwise dispose of it in such manner as he may think fit. That Act also provides that until Parliament otherwise determines, the existing State Management Schemes may be continued. The Home Office state that, subject to further consideration as regards the Enfield Lock area, which does not appear to be profitable, it is intended to continue all the existing Schemes.

We do not enter into the political or social reasons for this experiment, but in view of the results, so far obtained and of the risk of loss in future years its continuance as a State undertaking would not appear likely to afford any special financial advantage to the Taxpayer.

4. We observe that the Estimate includes a provision of £153,500 for the acquisition of Licensed Premises as well as capital addi-

tions and improvements. Of this amount £53,500 is for compensation and adaptation in connection with premises already acquired and £100,000 to acquire further premises. We understand that the object of the proposed purchases is to complete the State monopoly in the Carlisle area, but we do not think that in present financial circumstances any further expenditure of this kind should be incurred.

## PART XVII.

## AFTERMATH OF THE WAR SERVICES.

### Introductory Remarks.

In this part of our Report we deal with the following Aftermath Services in respect of which there was no corresponding expenditure in 1913/14 :—

Disposal and Liquidation Commission (formerly Ministry of Munitions).
Shipping Liquidation (formerly Ministry of Shipping).
Railway and Canal Agreements.
Treasury Securities Deposit Scheme.
Coal Mines Deficiency.

The expenditure under these five Votes, estimated to amount in 1922/23 to £44,000,000, forms part of the special expenditure to be set against Special Revenues in the Budget.

In our second Interim Report we suggested that it might be desirable to remove from the Trade Departments the work of an Aftermath nature now performed by them, and to group it together with the work of the Disposal and Liquidation Commission in a single Department. By this means the permanent Departments would be put upon a normal permanent basis of expenditure, and the work and cost of liquidation would be readily controlled and kept prominently under review. Theoretically we think that this would be desirable. We append at the end of this Part a Memorandum (Appendix (A) ) furnished by the Treasury analysing the Aftermath Services referred to in our second Interim Report on Trade Services. While we recognise that the matter is mainly one of administration, and that there may be administrative difficulties in the way of altering existing arrangements, we are of opinion that it would be desirable for the reasons already stated, if these services could be grouped together under a single Minister, so far as such a course may be administratively practicable and economical, and we recommend that the Government should consider such an arrangement, with consequent modification of the Votes concerned to which we have not given effect.

We proceed to deal, seriatim, with the Estimates set out in the table above.

## Chapter I.

### DISPOSAL AND LIQUIDATION COMMISSION.

(Formerly Ministry of Munitions.)

| | £ |
|---|---|
| 1920/21 Net Estimates ... ... ... | 18,336,000 |
| 1921/22 Net Estimates ... ... ... | 7,600,000 |
| 1922/23 Estimates— | |
| Gross ... ... ... ... | 5,900,000 |
| Net ... ... ... ... ... | 4,500,000 |
| Reduction in 1922/23 as compared with 1921/22 ... ... ... ... | 3,100,000 |

1. The gross expenditure, amounting to £5,900,000, is subdivided as follows :—

Salaries, wages and expenses of staff—

| | £ |
|---|---|
| Headquarters ... ... ... ... | 300,000 |
| Ex-Headquarters (mainly industrial) | 600,000 |
| Non-effective charges... ... ... | 38,000 |
| Transport and storage ... ... ... | 2,500,000 |
| Liquidation ... ... ... ... | 2,462,000 |

2. *Disposal Expenditure.*

Apart from a liquidation staff, now numbering forty-seven and costing £20,000 in 1922/23, the provision for salaries and wages is for the staff engaged under the Disposal Board. The numbers are as follows :—

| | September 1921. | April 1922. |
|---|---|---|
| Headquarters ... ... | 1,550 | 1,200 |
| Ex-Headquarters ... | 4,750 | 5,060 |
| | (4,200 industrial) | (4,500 industrial). |

The Disposal Board is engaged in the sale of Government property declared to be surplus since the Armistice, and its functions and policy have been fully described in papers presented to Parliament in 1920 and 1921 (Cmd. Papers 850 and 1412). The total sales effected from the date of the Armistice to the 30th June, 1921, amount to £582,000,000, and although the depression of trade has seriously retarded the progress of the work and has made it difficult in many cases to carry out previous contracts, ordinary weekly sales by auction, tender and private treaty, are even now realising on the average £350,000 per week. Surplus stores are still being notified to the Disposal Board of an average value of about £300,000 per week, and it is now estimated by the Commission that the receipts in 1922/23 may amount to £35,000,000. The surplus stocks for disposal will be appreciably increased if the recommendations made in our first Interim Report upon the Fighting Services are adopted by the Government.

Apart from ordinary current sales, block sales have been effected by the Board of motor transport, textiles, ferrous materials, brass scrap, chemicals and explosives.

We are not in a position to criticise the organisation and expenditure of the Board in detail. We think that block sales of the property remaining for disposal should be effected wherever such a course appears to be possible and economical. It is however, desirable that the work of valuing and selling all the stores in the hands of the Board should be pressed on as rapidly as possible during 1922/23 so far as market conditions permit. The Statutory existence of the Disposal and Liquidation Commission terminates on the 31st March, 1924, and we recommend that the Government should consider the fixing of a date in 1922/23 after which no further stores should be notified by Departments to the Disposal Board, and pre-war methods of disposal restored, so that it may be possible to wind up this Department finally within the prescribed period.

3. *Liquidation Liabilities.*

The provision of £2,462,000 is for the purpose of completing the settlement of the war contracts of the Ministry of Munitions. During the period from the 1st April to the 31st December, 1921, the number of outstanding accounts has been reduced from 1,247 to 478, and we are informed that a considerable amount of preliminary work has been done upon the remaining Accounts, and that it is hoped to complete it during 1922/23.

The money provision to be made can only be estimated conjecturally as the expenditure will depend to a considerable extent upon the result of negotiations with Contractors and litigation. It is expected that towards the gross expenditure shown above, receipts amounting to £1,400,000 will be obtained in respect of the repayment of advances made by the Ministry of Munitions to Contractors during the war and interest thereon.

We make no recommendation.

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## Chapter II.

### SHIPPING LIQUIDATION.

(Formerly Ministry of Shipping.)

| | Net Expenditure as shown in the Estimates. | Extra Receipts payable direct to the Exchequer. |
|---|---|---|
| | £ | £ |
| 1920/21 ... ... ... | 16,298,825 | 23,628,000 |
| 1921/22 ... ... ... | 5,445,600 | 7,500,000 |
| 1922/23 ... ... ... | 2,981,700 | 2,811,000 |
| Reduction of expenditure in 1922/23 compared with 1921/22 ... ... ... | 2,463,900 | ... |

1. The expenditure is divided as follows :—

| | 1921/22. £ | 1922/23. £ |
|---|---|---|
| Salaries and expenses of staff— | | |
| Headquarters ... ... | 129,450 | 80,450 |
| Outports ... ... | 25,150 | 5,250 |
| Liquidation expenses in respect of requisitioned and other vessels ... ... | 13,351,000 | 5,655,000 |
| Liquidation expenses in respect of shipbuilding and shipyard schemes ... | 304,000 | 65,000 |
| Miscellaneous ... ... | 26,000 | 26,000 |
| Gross Total ... | 13,835,600 | 5,831,700 |
| Appropriations-in-Aid (receipts due in respect of liner requisition and other schemes) ... ... ... | 8,390,000 | 2,850,000 |
| Net Total ... | 5,445,600 | 2,981,700 |

2. The numbers of staff compare as follows :—

| | |
|---|---|
| September 1, 1921 ... ... ... | 349 |
| April 1, 1922 ... ... ... ... | 314 |

It is anticipated that the staff will be reduced during 1922/23 to 200.

We are informed that the work remaining to be completed is :—

1. The examination and settlement of Accounts with Allied and Dominion Governments and Shipping Companies, including certain cases in which arbitration proceedings or litigation are pending.
2. The collection of instalments due on the purchase of vessels.
3. The general closing of Accounts and their presentation to Parliament.

On the termination of the Ministry of Shipping and the Office of the Shipping Controller under the Ministries of Munitions and Shipping (Termination) Act, 1921, the Department was placed as regards Ministerial control and responsibility to Parliament under the Board of Trade. The actual administration is conducted with the assistance of an Advisory Committee consisting of the late Shipping Controller and other Shipowners formerly associated with the Ministry.

3. *Liquidation Expenses in respect of Requisitioned and other Vessels* : £5,655,000.

Included in this item is a sum of £258,000 on account of the current expenses in respect of certain Prize and Detained vessels not yet disposed of. The balance is required to discharge the liabilities of the Department to Shipping Companies and others

for the running expenses, repairs and reconditioning of vessels now sold or released. The precise amount required is somewhat conjectural as the payments to be made depend on the rendering of Accounts by the firms concerned, and the settlement of the State liability in disputed cases.

4. *Liquidation Expenses in respect of Shipbuilding and Shipyard Schemes* : £65,000.

This item represents the clearing up of outstanding liabilities in connection with the Standard Shipbuilding Programme and Shipyard Schemes undertaken by the Government during the war.

5. *Miscellaneous Expenses* : £26,000.

This amount represents provision for losses on exchange, the winding-up of Offices abroad, and other contingencies.

6. *Extra Receipts* : £2,811,000.

These receipts, which will be paid direct to the Exchequer, are the amounts due to the Government, which are expected to be received during 1922/23, in respect of the sales of vessels already made and payments by Allied and Dominion Governments for services rendered to them during the war.

We are informed that the work of the Department will not be finally completed by the 31st March, 1923, but that after that date it is anticipated that further expenditure amounting to £2,000,000 will be incurred, and receipts obtained of £6,000,000.

We have not investigated the staff in detail. The cost appears to be small in relation to the turnover, and we make no recommendation.

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## Chapter III.

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### RAILWAY AND CANAL AGREEMENTS.

| | £ |
|---|---|
| 1920/21 Estimate ... ... ... | 45,400,000 |
| 1921/22 Estimate ... ... ... | 75,000,000 |
| 1922/23 Provisional Estimate ... | 31,510,000 |
| Reduction in 1922/23 as compared with 1921/22 ... ... ... | 43,490,000 |

This expenditure represents the Liquidation of Liabilities under Agreements relating to war-time control of Railways and Canals in Great Britain and Ireland.

The cost of administration is included in the Ministry of Transport Vote, and is not capable of exact ascertainment. An estimate, however, places the cost, including rent, postage, &c., at £23,690 for 1922/23.

The sum of £31,510,000 included in the Estimate for 1922/23 is made up as follows :—

| | £ |
|---|---|
| Second moiety of lump sum payment to Railway Companies in Great Britain, under Section 11 of Railways Act, 1921 ... ... | 30,000,000 |
| Second moiety of lump sum payment to Railway Companies in Ireland, under Irish Railways (Settlement of Claims) Act, 1921 ... | 1,500,000 |
| Provision against certain remanent payments | 10,000 |
| | 31,510,000 |

The lump sum payments, provided for under the statutes mentioned, were in discharge of liabilities arising at the termination of control. The Government remains liable for that part of the compensation which under the agreements and arrangements entered into during the war was payable currently during the control period.

Payments on account of this liability have been made, throughout the period of control, on the basis of monthly estimates submitted by the Companies. These provisional payments on account are subject to adjustment on audit, and the Ministry of Transport is still engaged on the detailed investigation of the claims which must precede a final settlement of the Government's liability. The claims are in various stages of investigation, and many claims have not yet been compiled by the Companies concerned in a form suitable for audit. While the bulk of the Government's cash liability has probably been liquidated by provisional payments made on the basis of estimates furnished by the Companies, the necessity remains of completing the investigation and audit of the Companies' substantive claims before final settlement can be reached.

The cost of the staff is small compared to the money involved.

We can make no recommendation with regard to this Vote other than the general recommendation as to combining the liquidation of claims of this nature. We consider that this service should be transferred either to the Liquidation Department or to the Treasury.

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## Chapter IV.

### TREASURY SECURITIES DEPOSIT SCHEME.

| | £ |
|---|---|
| 1920/21 Estimate ... ... ... | 1,578,500 |
| 1921/22 Estimate ... ... ... | 889,137 |
| 1922/23 Provisional Estimate ... | 38,600 |
| Reduction in 1922/23 as compared with 1921/22 ... ... ... | 850,537 |

This Vote arises out of arrangements made during the war whereby certain securities were borrowed from English holders and pledged in America as collateral for loans raised there. Under the scheme all securities borrowed were to be returned by the 31st March, 1922, and we understand that this is being effected.

Owners of securities so borrowed received by way of consideration additional interest at the rate of ½ per cent. per annum. The Estimate for 1922/23 provides for a small remanet for paying this additional interest in cases in which dividend warrants cannot be cleared until after the 31st March next, together with a small provision for the payment of sums due to agents.

We understand that this office will close during the early part of 1922/23, and in the circumstances we make no recommendation.

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## Chapter V.

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### COAL MINES DEFICIENCY.

| | £ |
|---|---|
| 1920/21 Estimate ... ... ... | 15,000,000 |
| 1921/22 Estimate ... ... ... | 3,000,000 |
| 1922/23 Provisional Estimate ... | 5,000,000 |
| Increase in 1922/23 as compared with 1921/22 ... ... ... ... | 2,000,000 |

This expenditure arises out of arrangements made by the Government under Statute for the control of the Coal Mines during and after the war. The provision required for 1922/23 consists of two items.

The first, amounting to £3,000,000, is for recoupment to Mine-owners of sums due to them under the Coal Mines Control Agreement (Confirmation) Act, 1918, in respect of their guaranteed standards during the period ended the 31st March, 1919. The estimated expenditure under this Act up to the 31st March, 1922, is £4,900,000, and besides the sum now asked for a further £1,000,000 may be required after 1922/23. The Taxpayer also provided £6,300,000 on account of increased wages under the Sankey Award in the period ended the 31st March, 1919, so that the total expenditure in respect of that period may amount to £15,200,000.

The second item, amounting to £2,000,000, is for advances to keep the Coal Mines Emergency Act Account in funds. This account, which was established by the Emergency Act of 1920 as from the 1st April, 1919, receives Coal Levy (excess profits) and distributes to Mines, which during the period of control have failed to earn their standard profits, sums to meet the deficiency. These deficiencies were increased during the latter months of control by the depression of trade, and, owing to the same cause

and to the Coal Dispute, the receipts from Coal Levy have fallen short of expectations and have been delayed. It has been, and still remains, necessary, therefore, for the Exchequer, under the Act, to place the account in funds to meet the Statutory payments, and the advances already made for this purpose and to be made in 1922/23 will amount to a total of £26,000,000.

As against this expenditure a sum of £1,000,000 has been recovered, and it is expected that a further £6,000,000 will be repaid to the Exchequer in 1922/23 or subsequently.

The net cost to the Taxpayer of the statutory control of the Coal Mines may therefore be put at £34,200,000, apart from the subvention costing £7,100,000 granted upon the termination of the Coal Dispute.

The expenditure provided in the Estimates for 1922/23 is determined by Statute, and we make no recommendation.

## APPENDIX (A).

### Memorandum by the Treasury on certain Aftermath Services.

The Aftermath Services, other than the Disposal and Liquidation Commission, mentioned in the Interim Report on Trade Services, may be analysed as follows :—

(1) *Disposal of Surplus War Property.*

The only Service of this nature which will remain in 1922/23 under the Board of Trade is the Timber Supplies Department. It would no doubt be possible to transfer the actual disposal of the small remaining stocks to the Disposal Board, but the Board of Trade must presumably continue to be responsible to the Public Accounts Committee for the Trading Account, and the change would, therefore, in addition to the disturbance of continuity, lead to some increase of interdepartmental correspondence. The remainder of the work of the Department, dealing with the liquidation of claims, &c., could hardly be transferred without serious loss of experience. The general administration of Timber Supply Services has suffered in the past from being in the hands of four Departments successively.

(2) *The Winding-up of Accounts.*

(a) *Shipping Liquidation.*

This is a self-contained Department with a separate Vote, and the question is, therefore, mainly one of Ministerial control and responsibility to Parliament. As regards actual administration, the Department receives most valuable help from an Advisory Committee, consisting of the late Shipping Controller and other Shipowners formerly associated with the Ministry of Shipping. On the termination of the Ministry and the Office of the Shipping Controller under the Ministries of Munitions and Shipping (Termination) Act, 1921, Parliamentary responsibility

was transferred to the Board of Trade, and it is not considered desirable to disturb this arrangement. The work will continue for about two years.

(b) *Liquidation of the Coal Mines (Confirmation) Act Account and the Coal Mines Emergency Act Account.*

This work is now being done by a staff of about 70 in the Mines Department, and no reduction will be possible before the end of 1922/23. It is possible that on the termination of the separate Mines Department, this staff might be transferred to the Liquidation Board, if it can be separated. The work is technical and requires continuous knowledge of the numerous changes made during and since the war.

(c) *Railway Accounts.*

Similar considerations apply to these Accounts, now being examined by the Ministry of Transport.

(d) *Food Liquidation.*

This Department will cease to exist in 1922/23. Apart from outstanding claims, the most important of which may involve litigation, the work will consist of the completion of the Trading Accounts. It will be necessary for the Accounting Officer of the Board of Trade to explain and defend these Accounts to the Public Accounts Committee, and no transfer of responsibility Accounts, no change is considered desirable at this late stage.

(e) *Wheat Accounts.*

The final winding-up has been placed under the supervision of a reconstituted Wheat Commission, including Lord Crawford, Chairman of the original Wheat Commission, the Accounting Officer of the Board of Trade and a Treasury Representative. The main financial questions outstanding are concerned with the settlements with the Allies in respect of Inter-Allied trading transactions and a number of claims which are likely to involve litigation. Apart from this, the work will chiefly be the completion of the Trading Accounts and their presentation to the Public Accounts Committee. As in the case of the Food Accounts, no change is considered desirable at this late stage.

(f) *War Risks Insurance Accounts.*

This is merely a staff of three persons engaged in the final settlement of marine claims and the completion of the Trading Accounts, and the same considerations apply.

(3.) *Post-War Services more or less arising out of the War.*

(a.) *Enemy Debts Clearing Office.*

This Service arises under the Treaties of Peace, and accounts for the bulk of the aftermath staff under the Board of Trade. As the cost is met by fees, the net Vote is not affected, and the question is, therefore, one of Ministerial control and responsibility. On the institution of the Office, it was decided that

the Board of Trade, as the Department responsible for the interests of British Traders generally, and under the Peace Treaties in particular, should be responsible for this Service, the object of which is to secure by Clearing House arrangements the repayment to British traders of the pre-war debts of ex-enemy nationals. It is considered that any alteration of these arrangements would be most undesirable.

(b.) *Zinc Concentrates and Spelter.*

The contracts for the purchase of Australian Zinc Concenrates and Spelter continue till June 1930, so that they are not suitable for transfer to a temporary Department. It is understood that they were entered into by the Board of Trade in 1916/17 as part of a policy then contemplated for the establishment in this country of the Zinc Smelting Industry, which before the war was largely under German control. The actual sales are conducted by the Zinc Producers' Association and the British Metal Corporation, as agents for the Government, so that little departmental work is involved. It is considered that the Board of Trade should retain the responsibility for the policy underlying the original contracts and for the general control of sales; as well as for such modifications of the contracts from time to time as may be desirable and possible.

(c.) *Russian Claims Department.*

This work was entrusted to the Board of Trade as the Department responsible for the commercial negotiations with Russia. The acknowledgment by the Russian Government of liabilities for these claims so far as they are established will presumably be a condition of any general settlement with Russia, and there would appear to be no advantage in transferring the register of the claims, which is more or less complete, to another Department.

(d.) *Reparation Claims Department.*

This Department is now engaged in furnishing Lord Sumner's Commission with particulars of the claims to compensation for damages made by individuals or firms which are to be paid out of the sum of £5,000,000 to be allocated out of the first Reparation receipts. While this Service has no close connection with the general work of the Board of Trade, it is hardly of a character suitable for amalgamation with any liquidation work, and no alteration in its present location seems to be called for.

It may be added that the cost of concentrating all the foregoing staffs in one building would be very heavy, and no compensating reduction in accommodation or rents would be secured. Moreover, the work of removal would divert the Office of Works' staff from other concentration work productive of economy, and the anticipated reductions in the Liquidation staffs themselves would be delayed as a result of the temporary dislocation of work.

The conclusion which, it is suggested, follows from the above analysis is that there would be no case for the establishment of any new Liquidation Department, but that, if it is desired on the winding-up of the Ministry of Transport and the Mines Department to relieve the Board of Trade of some of the duties which would otherwise fall upon it, the disposal of the remaining timber stocks might be transferred, though not without some countervailing disadvantages, to the Disposal Board, as agents of the Board of Trade, and the final liquidation of Railway Accounts, and possibly Coal Mines Accounts, might be placed under the Liquidation Board of the Disposal and Liquidation Commission.

## PART XVIII.

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### PAY.

#### Introduction.

1. In dealing with the Estimates of the various Departments, we have, as explained in the reports on those Departments, refrained from commenting on the question of the pay of Government servants, as we felt that this subject is one which could not conveniently be examined Departmentally, but required consideration on broader grounds so that the relative positions of the various classes could be reviewed.

The State employs directly approximately 891,000 persons, and they may be divided into the following classes :—

| | | |
|---|---|---|
| *Fighting Services*— | | |
| Navy ... ... ... ... | 122,000 | |
| Army ... ... ... ... | 210,000 | |
| Air Force ... ... ... | 30,000 | |
| | | 362,000 |
| *Civil Service*— | | |
| Supervisory, Technical, Clerical ... ... | | 160,800 |
| Messengers, Porters, Charwomen and similar Grades ... ... ... ... | | 20,000 |
| Manipulative Staff, such as Postmen, Sorters, &c. ... ... ... ... | | 191,700 |
| Industrial Staff ... ... ... ... | | 156,500 |
| | | 891,000 |

In addition to the direct employees of the State, the Exchequer is responsible to a very large extent for the salaries paid to the Teaching Profession and to the Police, which number 211,000 and 60,000 respectively.

The total salaries for which the State was responsible either in whole or in part, on the basis of the rates of salary and bonus current on the 1st September, 1921, were equivalent to £257,000,000 per annum. Of this amount £227,000,000 represented Exchequer liability. The total corresponding salaries borne by Exchequer and Rates amounted to approximately £90,000,000 before the war.

Obviously the question of pay is one of great importance, affecting, as it does, nearly 1,200,000 individual employees, and every Taxpayer in the country.

In such an investigation as ours, it is not practicable to do more than survey the position on broad general lines; elaborate machinery exists for dealing with rates of pay and conditions of service, and detailed examination of the various classes must be deferred until all the considerations can be fully argued and examined.

It is exceedingly difficult to review on any ordinary basis, or to attempt to make any immediate saving in, the pay of

certain sections of State servants for reasons which appear later. The question is extraordinarily technical and complicated, and our remarks must therefore be considered as general only, and must not be treated too meticulously.

*How Rates of Pay are Regulated.*

The procedure under which the rates of pay of various classes of State servants are fixed is set out below.

2. *Navy, Army and Air Force.*

The pay and allowances of Officers were revised in 1919 after the whole question had been fully considered by two Committees, one of which was presided over by a member of the Cabinet. It was decided at that time by the Cabinet that of the new rates of pay then fixed for the Officers 20 per cent. only should be considered as due to the high cost of living and should be subject after five years (*i.e.*, in 1924) to change either upwards or downwards, according as the cost of living had risen or fallen in the intervening period, and that there should be revision thereafter every three years, up or down, on the basis of the official food prices index number. The food prices index number at the time the new rates took effect was 109.

The rates of pay and allowances of " other ranks " are set out in Orders in Council and in Royal Warrants and form the bases on which the men enlisted or entered.

3. *Civil Service.*

In the case of the Civil Service, the rates of pay and conditions of service have been reviewed from time to time by various methods. In recent years they have usually, as regards the rank and file, been fixed after discussion on Whitley Councils, or other representative bodies, or as the result of a hearing before the Civil Service Arbitration Board.

4. *Teaching Profession.*

Teachers are not the direct employees of the State, and the State does not determine the rates of pay. These are fixed by the Local Education Authorities, who are the direct employers. The question of the appropriate remuneration for teachers was considered by a Committee, presided over by Lord Burnham, which laid down in 1919 and 1920 scales of pay known as the Burnham scales. These scales, as will be shown later, greatly improved the position of the teachers, and have been adopted by the Local Education Authorities in a large number of cases. The Government did not insist on the application of these scales; but an intimation was made to Local Authorities that grant would be paid on salaries based on such scales.

It is clear from an examination of the various documents that the scales are not fixed immutably. In the case of London they can be reviewed on the 1st April, 1923, and in other cases the statement of the President of the Board of Education limits the recognition of the new scales for purposes of grant up to the period ending the 31st March, 1925.

5. *Police Force.*

The rates of pay for the Police were considered in 1919 by a Committee presided over by Lord Desborough, when a single scale of remuneration was laid down. In this case the Government adopted the recommendations of the Committee and instructed the various Local Authorities to fix the wages of the Police on the Desborough scale, the additional expense falling on the Taxpayer being largely increased. In this way the rates of pay of the Police were made uniform throughout the whole of Great Britain. Hitherto the Metropolitan scale had always been higher than the scale applied in large boroughs, which in turn was generally higher than the rural scale.

*Rates of Pay.*

We will now deal *seriatim* with the pay in these Services.

6. *Fighting Services : Officers.*

Appendix (A) shows a comparison of the pay of various Officers of the Navy, Army and Air Force in 1914 and 1921. We understand these rates of pay, when fixed in 1919, were intended not only to cover the increased cost of living, but also to enable an Officer without private means to take a normal share in the life of his regiment when first commissioned, and upon attaining the age of 30, to maintain a wife on his pay and allowances.

The present rates of pay were fixed at a time when high rates were prevailing everywhere, and it was stated there was a reluctance to join or continue in the Forces. Conditions have now changed, and all classes of the community have had to adopt a less expensive standard of living.

The following table shows a comparison, as closely as it can be calculated, of the Pay and also of the total emoluments, including the actuarial value of Pension Rights of Officers and Civil Servants at given ages.

| Service. | Age. | Rank or Grade. | Pay. | Other Emoluments.* | Total. |
|---|---|---|---|---|---|
| | | | £ | £ | £ |
| Navy ... ... | 21 | Sub-Lieut. ... | 183 | 331 | 514 |
| Army ... ... | 20 | 2nd Lieut. ... | 238 | 231 | 469 |
| Air ... ... ... | 20 | Pilot Officer ... | 329 | 273 | 602 |
| Civil Service ... | 23 | Admin. Class ... | 200 | 168 | 368 |
| Navy ... ... | 30 | Lieut.-Comdr. ... | 547 | 352 | 899 |
| Army ... ... | 30 | Regtl. Captain... (married) | 428 | 366 | 794 |
| Air ... ... ... | 26 | Flight Lieut. ... (married) | 529 | 344 | 873 |
| Civil Service ... | 30 | Admin. Class ... | 365 (average) | 242 | 607 |

* The "other emoluments" for the fighting services are based on the cash allowances paid when such allowances are not drawn in kind. They also include an estimate of the actuarial value of pension rights. In the case of the Civil Service, bonus is included and calculated on the basis of a cost of living figure 100 per cent. above pre-war, but the bonus is automatically reduced as the index number falls.

7. *Other Ranks.*

As in the case of the Officers, the rates of pay were revised at a time when high rates of wages were prevailing outside the Services and we understand there was then a difficulty in obtaining recruits.

Appendix (B) shows the actual rates paid to the various ranks in 1914 and in 1921, *and these are exclusive of Rations, Clothing. Marriage Allowance and value of Pension Rights.* In the case of a single man practically everything is found for him. A married man with two children would receive a marriage allowance of £1 per week on the basis of a cost of living 100 per cent. over pre-war; further a considerable number of men in the Army and Air Force are granted quarters for their families.

It will be observed that the percentage increases in pay range from 100 per cent. to 424 per cent. in certain ranks and are generally speaking now much higher in the Services than the increases in the weekly time-rates paid in Industry generally, which range from 82 per cent. to a maximum of 155 per cent., as set out in Appendix (C). Industrial rates are likely to be further reduced as the cost of living falls.

8. *Civil Service.*

We have been supplied with the following particulars showing for all Departments in Great Britain the percentage in each salary range in 1914 and 1921, of the total staff, excluding Manipulative and Industrial staffs, Messengers, Charwomen and similar grades. The figures for 1921 include bonus based on a cost of living figure of 100 over pre-war.

| Salary Ranges, including Bonus. | 1914. | | 1921. | |
|---|---|---|---|---|
| | Numbers. | Per Cent. of Total. | Numbers. | Per Cent. of Total. |
| Up to £200 | 43,525 | 74·8 | 64,416 | 49·74 |
| £200–£400 | 10,240 | 17·6 | 44,190 | 34·12 |
| £400–£500 | 1,668 | 2·9 | 6,752 | 5·21 |
| £500–£750 | 1,811 | 3·1 | 8,737 | 6·75 |
| £750–£1,000 | 631 | 1·1 | 3,412 | 2·63 |
| £1,000–£1,200 | 145 | ·25 | 1,106 | ·85 |
| £1,200–£1,500 | 106 | ·18 | 662 | ·51 |
| Exceeding £1,500 | 43 | ·07 | 255 | ·19 |
| Total ... | 58,169 | — | 129,530 | — |

The effect of the improvement in the standard of remuneration is reflected in this table. There is a reduction in the under £200 range from 74·8 per cent. of the total to 49·7 per cent., which is counter-balanced by increased percentages in the other ranges. The improvement is due partly to bonus granted on cost of living grounds, partly to a revision of basic salaries or wages, and partly to reorganisation of various administrative, executive and clerical establishments, the full effect of which has not yet been

felt. Any further increase of cost on this account, however, will be more than compensated by substantial savings due to reductions of pay in other directions.

The average salary for all the above grades, inclusive of bonus, has increased from £174 to £281, *i.e.*, by 61·8 per cent.

If temporary staff are excluded and the comparison is limited solely to members of the permanent staff, the average salary for all the above grades has increased from £185·6 to £231·3 (exclusive of bonus), and to £370 inclusive of bonus, *i.e.*, by 99 per cent. It should be mentioned in explanation of this figure of increased cost of the permanent staff that under present conditions the bulk of the routine clerical work of the Civil Service is assigned to members of the temporary staff. The average pre-war rate of £185·6 per annum indicated the general level of of remuneration of permanent Civil Servants for all classes of work from the highest to the lowest, whereas to a very marked extent the average salary of £231·3 per annum now payable to members of the permanent staff reflects, in general, the standard of remuneration of the better class work.

The pay of the Industrial and Manipulative staffs and of Messengers, Charwomen, &c., has also been considerably improved apart from the application of bonus. The average annual cost for Departments in Great Britain, including bonus, is as under :—

| | 1914. | | 1921. | | Percentage Increase of 1921 over 1914. |
|---|---|---|---|---|---|
| | Number. | Cost per Head. | Number. | Cost per Head. | |
| | | £ | | £ | |
| Manipulative... ... ... | 186,337 | 66 | 191,781 | 158 | 139·4 |
| Messengers, Charwomen, Porters, &c. | 12,918 | 47 | 19,968 | 114 | 142·6 |
| Industrial, excluding Woolwich. | 79,977 | 81 | 117,974 | 176 | 117·4 |

9. *Bonus.*

The Civil Service Bonus Scheme constitutes machinery for the automatic adjustment of the remuneration of the permanent staff of the Civil Service in accordance with fluctuations in the cost of living. The following scheme was introduced on the 1st March, 1920, but several schemes had already been in operation :—

130 per cent. on ordinary remuneration not exceeding 35*s.* per week.

60 per cent. on ordinary remuneration in excess of 35*s* per week, but not exceeding £200 per annum.

45 per cent. on ordinary remuneration in excess of £200 per annum.

The maximum bonus was not to exceed £750, and the scheme provided for a periodical revision at intervals of four months during the first year and six months thereafter on the basis of

an increase or reduction of 1/26th of bonus for every five full points rise or fall in the cost of living index figure above or below 130.

From the 1st September, 1921, onwards the bonus of all Officers receiving salaries exceeding £500 per annum has been reduced by a super-cut, with the result that the highest rate of bonus now payable to any Officer is approximately £400. No officer on a salary of £2,000 or more receives any bonus, and bonus is not payable so as to bring total remuneration in any case above £2,000 per annum.

The index figures for each month since March 1920 are set out in Appendix (D), together with the average figures on which the bonus rates were fixed.

10. *Teaching Profession.*

The Burnham Committee fixed standard scales for teachers, with the intention that one of these scales should apply to each area in the country. It was provided that the individual teacher was not merely to enter the appropriate scale at his existing salary, but to be put in the same position on the scale by three successive yearly steps as he would have reached had the scale been in operation during the whole time he was a teacher—a most unusual provision.

The average salary of teachers on the 31st March, 1921, and under the full Burnham Scales compared with 1913/14, are set out in Appendix (E). The individual increases vary from 58 per cent. to 184 per cent. The average salary in elementary schools has increased from £99 per annum to £266 when the scales are fully operative, which will be reached during the next year, an average increase of 169 per cent. These figures apply to England and Wales only, but we understand that in Scotland similar increases have been given. The striking feature about teachers' salaries is that their increases have suffered no check with the large fall in the cost of living and are still automatically increasing.

In considering the pay of teachers it must be borne in mind that " Certificated " teachers, who receive the highest salaries and who form the majority of the profession, have generally spent two years in a Training College largely at the expense of the public. We are informed that in England and Wales £1,350,000 will be paid from Taxes and £350,000 from Rates for the training of teachers in the year 1922/23. Although the work may be exacting, the hours are short, the holidays long and the risk of unemployment slight. Further, they receive pensions paid by the State on a scale approximating to that of Civil Servants.

11. *Police.*

The present scales of Police Pay are those recommended by the Desborough Committee, which reported in July 1919. This

Committee recommended that the scales of pay of Police should be standardised throughout Great Britain, and a comparison of the rates of pay in 1914 and 1921 is set out in Appendix (F).

It will be observed that the percentage increase in the case of Constables in rural counties amounts in some cases to 208 per cent. above pre-war, in Industrial Boroughs to 148 per cent. and in the Metropolitan Police to 133 per cent. The present scales are not subject to any reduction on the grounds of cost of living, as the floating bonus has already disappeared. We have already recommended in our report on Police that the obligation to pay the Metropolitan Police scale of remuneration in County and Borough Police Forces should be cancelled. In our opinion, there is no justification for paying a Constable in a rural County up to £234 per annum and Sergeants up to £292 per annum in addition to the Rent Aid, Boot allowances, free clothing and generous pension terms which are granted to all members of the Police Force. Their emoluments are exceptionally favourable compared with outside rates in skilled occupations.

12. *General Remarks.*

We have dealt in detail with the methods of fixing and the rates of remuneration for the various classes of State servants, showing how in each case their position has improved since 1914. We have also given similar information as regards Teachers and Police to the cost of which the Taxpayer largely contributes.

The improvement in conditions has been by no means uniform, and we give below figures as to the average cost per head and the percentage improvement for the various classes which have been supplied to us. Comparison is, however, not easy where Navy and Army pay is involved, as the actual rates of pay do not by any means cover the whole of the emoluments. In the following table, so far as the Fighting Services are concerned, the emoluments include rations, fuel and light cash allowances for lodgings and servants and in the case of men, clothing and marriage allowance, but nothing has been added for the value of quarters, free medical attendance, travelling concessions, customs privileges and the actuarial value of pension rights.

| | Average per Head. | | Percentage. |
|---|---|---|---|
| | 1914. | 1922. | Increase. |
| Navy— | £ | £ | |
| Officers (including Warrant Officers)... | 255 | 485 | 90·2 |
| Men ... ... ... ... ... | 75 | 190 | 153·3 |
| Army*— | | | |
| Officers ... ... ... ... ... | 330 | 618 | 87·3 |
| Men ... ... ... ... ... | 60 | 151 | 151·0 |
| Air Force*— | | | |
| Officers ... ... ... ... ... | — | 603 | — |
| Men ... ... ... ... ... | — | 158 | — |
| Civil Service†— | | | |
| Administrative, Technical and Clerical (permanent and temporary). | 174 | 281 | 61·8 |
| Ditto (permanent only) ... ... | 186 | 370 | 99·0 |
| Manipulative ... ... ... ... | 66 | 158 | 139·4 |
| Messengers, Porters, Charwomen and similar grades. | 47 | 114 | 142·5 |
| Industrial (excluding Woolwich) ... | 81 | 176 | 117·4 |
| Teachers‡— | | | |
| Elementary Schools ... ... ... | 99 | 266 | 169 |
| Secondary Schools ... ... ... | 174 | 389 | 124 |
| Police, Metropolitan§ ... ... ... | 104 | 271 | 160·6 |

* Homes rates.

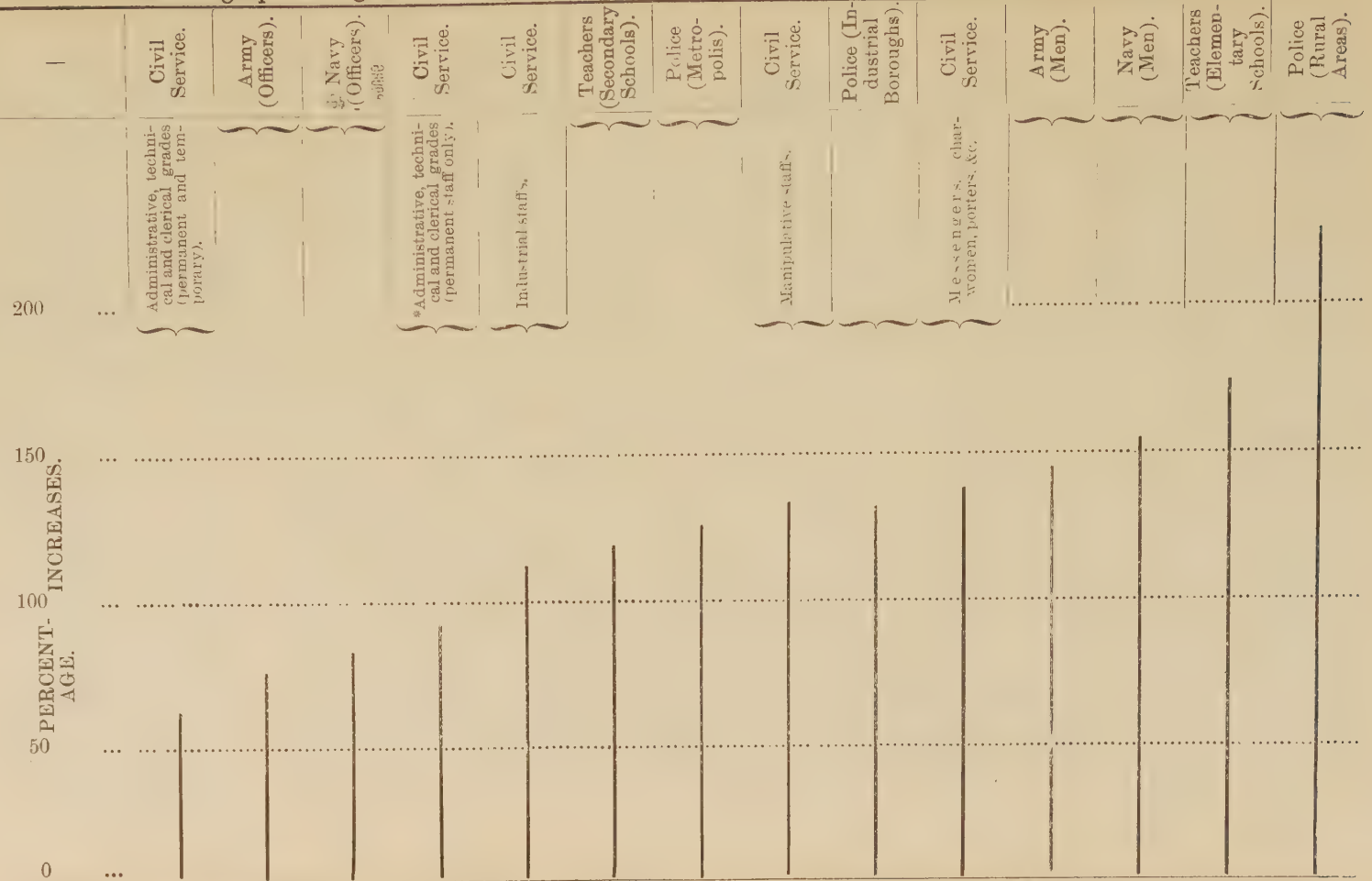
† Figures exclusive of actuarial value of pensions, but including bonus.

‡ Figures exclusive of actuarial value of pensions, but including benefits under the Burnham Scales, accruing this year or in 1923.

§ Figures include value of rent, boots, plain clothes and uniform, but not the actuarial value of pensions.

13. The following diagram illustrates the *relative percentage increases* for the various classes :—

**Average percentage increases** per head in 1922, as compared with 1914, for various classes.




* The work of the permanent staff is not quite comparable in the two years owing to the allocation, since 1914, of a large part of the routine work to temporary staff.

The diagram clearly shows that the percentage increases in the case of certain classes are more marked than in the case of others. When we consider the actual emoluments the differences are more striking.

A Second Lieutenant in the Army on joining at 20 years of age now costs the State in one way or another £469 per annum. He has received an outfit allowace of £50. A Civil Servant, on entering the administrative class of the Civil Service cost at 22 or 23 years of age after a University education, would cost £368 per annum including bonus and pension rights valued approximately at £168 per annum.

In order to see how the Fighting Services compare with the Civil Service we have made a test of representative entries into the Higher Division of the Civil Service. We find that the average remuneration at age 30 is £607 per annum of which £242 represent bonus, liable to reduction in accordance with cost of living, and pension rights.

An officer in the Navy at the same age would be a Lieutenant-Commander and in the Executive Branch with full allowances and value of pension rights would cost about £900 per annum. It is true that most of these allowances when afloat are taken in kind, but the allowances when ashore seem to us not to be an unfair basis for an estimate of this kind. Engineering and Medical officers receive additional pay of approximately £70 and £90 per annum respectively.

Similarly an Army Officer in the Combatant arms of the Service at the same age would in ordinary circumstances be a Captain and if married his total cost would amount to £794 per annum. Other Arms receive an additional £54 15*s*. per annum.

At the lower end of the scale it is therefore apparent that the Higher Division men in the Civil Service even with Bonus have fared worse than their contemporaries in the Fighting Services although they have passed a far higher examination on entrance and join at a later age.

As regards the highest posts in the Services, it is admitted that every service must have a few plums in order to stimulate ambition and secure the necessary reward for ability and hard work.

The following table shows the number of posts in each service of £2,000 per annum and upwards and the ratios these bear to the total personnel :—

| —— | No. of Posts, £2,000 and upwards. | Total Personnel. | Ratio. |
|---|---|---|---|
| Navy ... ... ... ... ... | 46 | 122,000 | 1–2,600 |
| Army ... ... ... ... ... | 67 | 186,400* | 1–2,800 |
| Air ... ... ... ... ... | 12 | 30,000 | 1–2,500 |
| Civil Service ... ... ... ... | 91 | 349,000 | 1–3,800 |

The Fighting Services thus have a greater proportion of highly paid posts than the Civil Service.

* Excluding Native Troops.

As regards the remuneration of these higher posts the average pay of the six highest posts in the Civil Service is £3,080 per annum. In reviewing the pay of the Fighting Services it is necessary to have regard to allowances which in the case of the Navy are on a liberal scale. Estimates have also to be made as to the value of the houses provided. The average amount of the pay and allowances of the six highest posts in the Navy is approximately £4,187 and in addition the five Commanders-in-Chief each receive an allowance of £2,464 per annum for Table Money. It must also be remembered that most allowances are not liable to Income Tax. For the six highest posts in the Army the average of pay and allowances is £4,513 per annum exclusive of Table Money.

In these comparisons of the highest posts the value of pension rights is ignored as all the services are pensionable services, but it should be mentioned that in the Fighting Services an officer can retire at a much earlier age than the Civil Servant.

It should be added that the total provision for Table Money in the Navy is £77,000 a year and £15,000 for the Army.

14. We have pointed out how the pay of the Fighting Services, Teachers and Police was fixed in 1919 under quite abnormal circumstances and on a general survey we feel that the country cannot continue to support a burden of this magnitude.

We recognise the complexity of the question and the difficulties in dealing with it, some of which we have referred to. We feel, however, that the subject is so far reaching that it calls for a thorough special investigation.

Such an investigation would necessarily have to cover not only the percentage increase, but also the relation of the pay and conditions of service of each grade to its corresponding grade in the public Service and in civil life. It would also have to take into account the contractual obligations existing and the possibilities of introducing new rates of pay and conditions of service for new entrants, also whether provision exists and has already operated to meet the reduced cost of living.

We would also draw attention to the fact that in certain cases, *e.g.*, Government offices in London, the lower grade staff paid on an overtime basis has a normal day from 10 to 5 with an interval for lunch and half-day on Saturday. This is a shorter day than obtains in outside employment, and might well be reviewed at the same time.

Such an important and far-reaching enquiry is manifestly beyond the scope which was ever intended for this Committee, touching as it might the very varying conditions of life of 1¼ millions of employees and their families. Indeed it is far beyond the time at our disposal to hold such an enquiry, and we have therefore refrained from making a recommendation, arrived at after inadequate investigation, and have contented ourselves with urging that the most expeditious and authoritative means available should be adopted for a thorough review of this important question.

*Non-effective Charges and War Pensions.*

15. We have referred in our "General Conclusions" to Part I to the increase in the non-effective Votes which may follow the acceptance of our recommendations as to the personnel of the Fighting Services. This will depend on the number of Officers and men entitled to pension whose retirement is accelerated and the terms on which such retirement can be arranged. It is exceedingly difficult to arrive at an estimate of this increase, but we are advised it is not likely to exceed £10,000,000 for next year, and the annual charge for some years thereafter may be at the rate of £2,500,000 per annum. We consider these charges to be really "aftermath" charges, but having regard to the fact that special revenue is anticipated next year, we think that the spreading of such charges need not be considered as they can be carried on the Departmental Votes and met out of the Special Revenue.

We also referred in the same Conclusions to the question of War Pensions and stated we proposed to forward our views on the method of dealing with this charge. As this question involves considerations of Budget policy we have come to the conclusion that it is outside our "Terms of Reference."

## APPENDIX (A).

COMPARISON of Rates of Pay only of Officers in the Navy, Army and Air Force in 1914 and 1921.

| Navy. | | | | Army (Infantry). | | | | Air Force. | |
|---|---|---|---|---|---|---|---|---|---|
| Rank. | 1914. | 1921. | *Increase.* | Rank. | 1914. | 1921. | *Increase.* | Rank. | 1921. |
| | £ | £ | % | | £ | £ | % | | £ |
| Sub-Lieutenant | 91 | 183 | *100* | Second Lieut.* | 96 | 238 | *148* | Pilot Officer* | 329 |
| Lieut.-Commr. | 238–292 | 547–620 | *130 112* | Captain ... | 211–262 | 428–474 | *100 81* | Flight-Lieut. | 529 |
| Captain ... | 411–602 | 1095–1368 | *169 127* | Lieut.-Colonel | 511 | 1,049 | *105* | Group Captain | 1,004–1,168 |

* Unmarried.

NOTE.—These rates do not include the value of emoluments in kind or allowances in lieu, or value of pension rights.

# APPENDIX (B).

COMPARISON of Rates of Pay only in 1914 and 1921.

*Navy, Army, and Air Force Men.*

| Navy. | | | | Army. | | | | Air Force. | |
|---|---|---|---|---|---|---|---|---|---|
| —— | 1914. | 1921. | *Increase.* | —— | 1914. | 1921. | *Increase.* | —— | 1921. |
| *Non-technical.* | | | | | | | | | |
| | £ | £ | % | | £ | £ | % | | £ |
| Ord. seamen ... | 23 | 50 | *117* | Private† ... | 18 | 50 | *177* | Aircraftsman, Class II† | 54 |
| A.B. ... ... | 30–35 | 73–82 | *143* *134* | Private† after 2 years. | 18 | 64 | *255* | Aircraftsman, Class I† | 61–67 |
| L. seaman ... | 39–42 | 96–100 | *146* *138* | Corporal* ... | 30 | 91 | *203* | Corporal* ... | 91–103 |
| P officer ... | 54–60 | 128–140 | *137* *133* | Sergeant* ... | 42 | 128 | *205* | Sergeant* ... | 119–137 |
| *Technical.* | | | | | | | | | |
| Probationary men†‡ | 46–50 | 96–100 | *109* *100* | Private† ... | 21–21 | 55–91 | *162* *333* | Aircraftsman, Class II† | 64–73 |
| Qualified men†‡ | 50–54 | 135–140 | *170* *159* | Private† after 2 years. | 21–21 | 73–110 | *247* *424* | Aircraftsman, Class I† | 73–88 |
| Qualified men*‡ | 54–64 | 154–164 | *185* *156* | Corporal* ... | 37–46 | 100–132 | *170* *187* | Corporal* ... | 106–155 |
| Chief men*‡ ... | 58–73 | 178–192 | *207* *163* | Sergeant* ... | 47–59 | 164 | *249* *178* | Sergeant* ... | 128–192 |

* Married. † Unmarried.

‡ Includes plumbers, painters, joiners, coopers, blacksmiths, armourers.

NOTE.—These rates do not include the value of rations, clothing, marriage allowance or pension rights.

# APPENDIX (C).

COMPARISON of Rates of Pay in Industry in 1914 and 1922.

*Average Annual Rates of Pay for 52 Full Weeks.*

| Occupation. | August 1914. | February 1922. | *Increase.* |
|---|---|---|---|
| Building Trades (Towns with population of 100,000)— | £ | £ | *Per Cent.* |
| Bricklayers ... ... ... ... ... | 105·5 | 225·3 | *114* |
| Masons ... ... ... ... ... | 100·5 | 226 | *119* |
| Carpenters and Joiners ... ... ... | 103·8 | 224·9 | *117* |
| Plumbers ... ... ... ... ... | 103·4 | 231 | *123* |
| Plasterers ... ... ... ... ... | 104·4 | 224·9 | *115* |
| Painters ... ... ... ... ... | 94·2 | 224·9 | *139* |
| Labourers ... ... ... ... ... | 70·0 | 177·9 | *154* |
| Engineering (Provincial Districts)— | | | |
| Fitters and Turners ... ... ... | 101·2 | 191·3 | *89* |
| Ironmoulders ... ... ... ... | 108·4 | 198·9 | *84* |
| Patternmakers ... ... ... ... | 109·4 | 202·2 | *85* |
| Labourers ... ... ... ... ... | 59·4 | 148 | *150* |
| Shipbuilding (Provincial Districts)— | | | |
| Platers ... ... ... ... ... | 104·8 | 194·8 | *84* |
| Riveters ... ... ... ... ... | 98·2 | 186·3 | *89* |
| Shipwrights ... ... ... ... | 107·5 | 195·2 | *82* |
| Labourers ... ... ... ... ... | 59·4 | 146·9 | *148* |
| Printing and Bookbinding (selected Large Towns)— | | | |
| Hand Compositors ... ... ... | 92·8 | 224 | *141* |
| Bookbinders and Machine Rulers ... | 88·2 | 225·1 | *155* |
| Furniture Making (selected Large Towns)— | | | |
| Cabinet Makers ... ... ... ... | 103·4 | 231·4 | *124* |
| Upholsterers ... ... ... ... | 100·7 | 230·7 | *129* |
| French Polishers ... ... ... ... | 78·6 | 230·5 | *139* |

# APPENDIX (D).

COMPARISON of Ministry of Labour Monthly Cost of Living Figures with the Index Numbers on which Civil Service Bonus has been based.

*Civil Service Bonus.*

| Month. | Ministry of Labour Monthly Figures. | Bonus related to Cost of Living, Figures of. |
|---|---|---|
| 1920— | | |
| March ... ... | 130 | 130 from March 1, 1920. |
| April ... ... | 132 | |
| May ... ... ... | 141 | |
| June ... ... ... | 150 | |
| July ... ... ... | 152 | 135 from July 1, 1920. |
| August ... ... | 155 | |
| September ... ... | 162 | |
| October ... ... | 164 | |
| November ... ... | 176 | 155 from November 1, 1920. |
| December ... ... | 169 | |
| 1921— | | |
| January ... ... | 165 | |
| February ... ... | 151 | |
| March ... ... | 141 | 165 from March 1, 1921. |
| April... ... ... | 133 | |
| May ... ... ... | 128 | |
| June ... ... ... | 119 | |
| July ... ... ... | 119 | |
| August ... ... | 122 | |
| September ... ... | 120 | 130 from September 1, 1921. |
| October ... ... | 110 | |
| November ... ... | 103 | |
| December ... ... | 99 | |
| 1922— | | |
| January ... ... | 92 | |
| February ... ... | ... | |

# APPENDIX (E).

COMPARISON of Average Rates of Pay in 1913/14, 1921, and when Burnham Scales are fully Operative.

*Teachers.*

| —— | 1913/14. | 1921. | *Increase.* | Burnham Scale. | *Increase.* |
|---|---|---|---|---|---|
| *Secondary Schools.* | £ | £ | *Per cent.* | £ | *Per cent.* |
| Men Teachers— | | | | | |
| Head (Graduates) ... ... | 455 | 718 | *58* | 718 | *58* |
| „ (Non-Graduates) ... | 328 | 573 | *75* | 573 | *75* |
| Assistant (Graduates) ... | 180 | 380 | *101* | 450 | *150* |
| „ (Non-Graduates)... | 161 | 324 | *100* | 380 | *137* |
| Women Teachers— | | | | | |
| Head (Graduates) ... ... | 335 | 571 | *70* | 571 | *70* |
| „ (Non-Graduates) ... | 274 | 461 | *76* | 461 | *76* |
| Assistant (Graduates) ... | 133 | 294 | *121* | 359 | *170* |
| „ (Non-Graduates)... | 117 | 243 | *108* | 293 | *150* |
| Average ... ... | 174 | 332 | *92* | 389 | *124* |
| *Elementary Schools.* | | | | | |
| Men Teachers— | | | | | |
| Head (Certificated) ... ... | 177 | 371 | *110* | 438 | *148* |
| Assistant (Certificated) ... | 129 | 304 | *136* | 339 | *163* |
| „ (Uncertificated) ... | 68 | 173 | *154* | 182 | *168* |
| Women Teachers— | | | | | |
| Head (Certificated) ... ... | 126 | 300 | *138* | 347 | *175* |
| Assistant (Certificated) ... | 96 | 239 | *149* | 273 | *184* |
| „ (Uncertificated) ... | 57 | 140 | *145* | 159 | *179* |
| Supplementary Teachers ... | 40 | 94 | *135* | 108 | *170* |
| Average ... ... | 99 | 233 | *135* | 266 | *169* |

*Note.*—The Burnham Report prescribes a minimum only for Head Teachers in Secondary Schools. Actual figures would in many cases be higher than those given above.

# APPENDIX (F).

## Comparison of Rates of Pay in 1914 and 1921.

*Police.*

| —— | 1914. | 1921. | *Increase.* |
|---|---|---|---|
| Rural County— | | | *Per cent.* |
| Constable ... ... ... ... | 59·1 to 78·8 | 182 to 234 | *208* *197* |
| Sergeant ... ... ... ... | 79·3 to 91 | 260 to 292·5 | *231* *221* |
| Industrial Borough— | | | |
| Constable ... ... ... ... | 73·2 to 101·4 | 182 to 234 | *148* *130* |
| Sergeant ... ... ... ... | 107·9 to 120·9 | 260 to 292·5 | *141* *142* |
| Metropolitan Police— | | | |
| Constable ... ... ... ... | 78 to 104 | 182 to 234 | *133* *125* |
| Sergeant ... ... ... ... | 111·8 to 122·2 | 260 to 292·5 | *132* *140* |

## CONCLUSION.

1. In concluding our Report, we wish to bring to your notice certain aspects of the National Expenditure and difficulties in the way of control and of economy which have emerged during our consideration.

In order to illustrate the difficulty of reducing national expenditure by £175 millions in 1922/23 by means of administrative economies and Departmental control of expenditure, irrespective of policy and national obligations, we have prepared an approximate analysis of the expenditure of 1921/22, under the following heads :—

| | £ |
|---|---|
| Class 1. Debt Charges ... ... | 345,000,000 |
| ,, 2. Other Charges on Consolidated Fund ... ... | 21,272,000 |
| ,, 3. Pensions ... ... ... | 152,519,917 |
| ,, 4. Aftermath and other expenditure arising out of the War ... ... | 191,216,500 |
| ,, 5. Fighting Services ... | 167,302,400 |
| ,, 6. Middle East ... ... | 27,197,000 |
| ,, 7. Other Civil Expenditure | 241,615,183 |
| | 1,146,123,000 |

This analysis, with our observations, is set out below :—

| | £ | | |
|---|---|---|---|
| *Class* 1.—*Debt Charges* ... ... | | 345,000,000 | This item does not depend upon economy of administration. |
| *Class* 2.—*Statutory Charges on the Consolidated Fund*— | | | |
| Payments to Local Taxation Account ... | £ 11,115,000 | | These items are statutory. |
| Minor Consolidated Fund Services ... | 1,757,000 | | |
| Road Grants ... ... | 8,400,000 | | |
| | | 21,272,000 | |
| *Class* 3.—*Pensions*— | | | |
| War ... ... ... | 105,428,000 | | This total is only susceptible of economy by reducing the rates of pensions or altering the conditions thereof. |
| Ordinary (Army, Navy and Air) ... ... | 12,716,600 | | |
| Old Age ... ... | 26,092,000 | | |
| Civil Service ... ... | 5,655,898 | | |
| Teachers ... ... | 1,815,348 | | |
| R.I.C. and Dublin Metropolitan Police ... | 812,071 | | |
| | | 152,519,917 | |

*Class 4.—Aftermath and other Expenditure arising out of the War—*

| | £ | £ |
|---|---|---|
| Navy, Army, Air Force Winding-up Expenditure, 1891/2 ... | 11,000,000 | |
| Railway Agreements ... | 75,000,000 | |
| Housing ... ... | 12,800,000 | |
| Corn Guarantee ... | 19,400,000 | |
| Coal ... ... ... | 13,000,000 | |
| Ex-Service Men Training and Resettlement | 15,933,000 | |
| Unemployment ... | 12,438,000 | |
| Export Credits ... | 5,000,000 | |
| Disposal and Liquidation Commission ... | 6,330,000 | |
| Shipping Liquidation... | 5,291,000 | |
| Land Settlement Loans | 5,000,000 | |
| Loans to Allies ... | 5,000,000 | |
| Works and Buildings... | 901,000 | |
| Land Settlement for Ex-service men ... | 515,000 | |
| War Graves ... ... | 601,500 | |
| Other items ... ... | 3,007,000 | |
| | | 191,216,500 |
| | | 710,008,417 |

In the main these items represent commitments which have been entered into, and economies of any substantial amount are unobtainable without change of policy. Other items of expenditure, such as Disposal and Liquidation Commission and Shipping Liquidation, are producing "Special" Revenue.

We therefore have a total of £710,008,417, which in the main is outside the effective control of the administrative machine.

2. There remain three classes, amounting in total to £436,114,583, in which the bulk of the administrative economies has to be found.

*Class 5.—Fighting Services—*

| | £ | £ |
|---|---|---|
| Pay and Allowances— | | |
| Navy... ... ... | 27,865,000 | |
| Army ... ... | 37,250,000 | |
| Air Force ... ... | 5,394,000 | |
| | | 70,509,000 |
| Other effective Expenditure— | | |
| Navy... ... ... | 47,982,000 | |
| Army ... ... | 37,388,700 | |
| Air Force ... ... | 11,422,700 | |
| | | 96,793,400 |
| | | 167,302,400 |

As regards the sum of £70½ millions for pay and allowances, and apart from the actual rates, which are fixed by Orders in Council or Royal Warrants, and dealt with in our chapter on Pay, the only Treasury control exercisable is in the matter of numbers. The numbers and the proportions of officers, warrant officers, N.C.O.'s and men are, however, governed by the technical advice which the Government receives.

Considerations of policy, of prestige and of safety play an important part in the estimates for these Services, but there is also the same difficulty in criticising these estimates which arises whenever a layman questions the expenditure of technicians and experts. This difficulty is common to all the great practical activities of civil life, but in civil life the experts and technicians can usually be checked by obtaining a second opinion. Such possibilities do not occur with the Fighting Services, and the difficulty is thereby increased.

As an example, we quote the case of the provisional estimates for the Navy, amounting to £81,183,800, which were submitted to us for the year 1922/23. These were described in the following terms by the Board of Admiralty in a letter to the Treasury, dated the 2nd August, 1921 :—

> " . . . My Lords are satisfied that, with very few exceptions, the Votes as fixed for the present year are not susceptible of reductions if the Navy is to be maintained in a state of efficiency at the One-Power Standard laid down by His Majesty's Government. There are, however, certain risks which My Lords feel justified in accepting in the present financial situation, on the strength of the assurance of His Majesty's Government that a state of war within the next few years need not be regarded as a possible contingency, and by deferring or dispensing with services which would otherwise be regarded as essential they can definitely omit items in 1922/23 amounting to £1,968,400.

It is the estimates thus referred to which are dealt with in our Report on the Navy, Chap. 1, Part 1. These estimates were framed before the Washington Conference was arranged and our Report took no account of its results. In view of such a pronouncement, a civilian might indeed shrink from suggesting any reduction in naval expenditure. We are, however, definitely of the opinion, after our investigation, that this grave advice cannot be justified. In our judgment, this is a forcible illustration of the financial danger of accepting unchallenged the dicta of Naval and Military experts. Their natural tendency is invariably to be satisfied with nothing short of perfection, to which must be added their inherent desire to maintain the prestige of the Service.

We are convinced, on the facts submitted to us, that great economies can be realised in the Fighting Services if the control of the Treasury over them is vastly increased and brought up to the standard obtaining in the Civil Departments. In the covering letter to our first interim Report we refer to the fact that for the Fighting Services a base line similar to that in use before the war by means of which the deviation in expenditure from year to year can be measured, is essential to Treasury control We have endeavoured in our recommendations on those Services to enable you to re-establish that base line. If our recommendations are approved by you, we recommend for these Services the imposition of a definite ration.

| | £ | |
|---|---|---|
| *Class 6.—Middle East* ... ... | 27,197,000 | This is a legacy of the war. The policy which governs our position in Palestine and Irak governs also this expenditure, but there can be real financial control by administrative methods which the Secretary of State for the Colonies is applying, and from which we look for further economies. |

| *Class 7.—Other Civil Expenditure—* | £ | £ |
|---|---|---|
| Pay (including P.O. and Industrial Staffs) ... ... ... | | 120,000,000* |
| Erection, maintenance of buildings, &c. ... ... ... | | 11,150,000 |
| Colonial Services—Grants-in-Aid of local revenues ... ... | | 1,425,000 |
| Educational Grants—Grants to Scientific Institutions, &c. ... | | 5,184,000 |
| †National Health Insurance ... | | 6,774 900 |
| †Unemployment Insurance ... | | 8,912,000 |
| †Tuberculosis ... ... ... | | 1,692,000 |
| †Representation of the People Act ... ... ... ... | | 450,000 |
| †Agricultural Development ... | | 1,000,000 |
| †Forestry ... ... ... | | 200,000 |
| †Irish Land Purchase Fund ... | | 432,000 |
| †Excess Stock (Irish Land) ... | | 550,000 |
| Voluntary Hospitals ... ... | | 500,000 |
| ‡Percentage Grants— | | |
| Education ... | 43,547,000 | |
| Agricultural Education ... | 227,000 | |
| Health ... | 2,017,550 | |
| Police ... | 7,455,000 | |
| Reformatories | 672,370 | |
| Lunacy and Mental Deficiency ... | 476,000 | |
| Grants to Agricultural Committees for expenses of administration ... | 175,000 | |
| | | 54,569,920 |
| ‡Education (Scotland) Fund (11/80ths English expenditure) | | 6,833,000 |
| Agricultural (Scotland) Fund (less Land Settlement loss) .. | | 200,000 |
| Small Holdings (less Land Settlement loss) ... ... | | 183,000 |
| Medical Research Council ... | | 130,000 |
| National Health Insurance (special non-statutory grants, &c.) ... ... ... ... | | 4,244,850 |
| Empire Cotton Growing Association ... ... ... ... | | 978,715 |
| Miscellaneous Expenditure ... | | 16,205,798 |
| | | 241,615,183 |

| | |
|---|---|
| The totals of the Groups are therefore— | |
| Total of Classes 1 to 4 ... ... | 710,008,417 |
| Total of Classes 5 to 7 ... ... | 436,114,583 |
| Grand Total ... | 1,146,123,000 |

* This is a gross figure. In cases in which expenditure is recouped in part from Appropriations-in-Aid (*e.g.*, Savings Bank Expenses) the recoupment reduces the balance shown as Miscellaneous Expenditure which must therefore be regarded as an approximately correct balancing figure.

The size of the Civil Service depends no doubt largely on the policy of the Government, but it is subject to administrative control.

The pay of the Civil Service, except that of the limited number in the higher classes, is settled usually after discussion, and in cases where disagreement is recorded and recourse had to arbitration, control passes from the Treasury, a most undesirable state of affairs. Policy largely governs the second item ("buildings") as well as "pay." The other items in this class susceptible to administrative economy have been dealt with in the appropriate chapters of our report.

The items marked (†) are largely statutory grants and, save by an alteration of the statute or policy, economies cannot be made. The expenditure is a result of Parliament's decisions.

Percentage grants marked (‡) are, as we have shown in our report, really beyond administrative control except by the Spending Authority, which is not the Government.

The above examination indicates—we hope in a convenient form—that as regards roughly £700 millions out of £1,100 millions for the year 1921/22 further real substantial economy can only be achieved if changes are decided upon in the policy already approved by Parliament.

3. We were invited by the terms of reference to make recommendations for effecting "forthwith all possible reductions in the National Expenditure on Supply Services." As great economies can only be obtained by curtailment of the least necessary activities, some measure of the reduction to be aimed at was required. The national ability to continue expenditure on objects which might be justified with an overflowing Exchequer is limited by the financial position in the year under review.

As set out in the opening paragraphs of our First Interim Report, the sum to be aimed at as a reduction in the year 1922/23 was £175 millions, of which £75 million has already been indicated to you by the Departments.

Our terms of reference permitted us to indicate economies which might be effected if particular policies were either adopted, abandoned, or modified. We have endeavoured to encroach as little as possible upon questions of policy in making our definite recommendations, recognising that, as stated in our terms of reference, these would "remain for the exclusive consideration of the Cabinet."

*Summary of the Reductions we recommend.*

| | £ | £ |
|---|---|---|
| *First Interim Report—* | | |
| Navy ... ... ... ... | 21,000,000 | |
| Army ... ... ... ... | 20,000,000 | |
| Air Force ... ... ... | 5,500,000 | |
| Education ... ... ... | 18,000,000 | |
| Health ... ... ... | 2,500,000 | |
| War Pensions ... ... ... | 3,300,000 | |
| | 70,300,000 | 70,300,000 |
| Adjustment on First Report ... | — | 1,171,875 |
| *Second Interim Report—* | | |
| Trade Group ... ... ... | 538,000 | |
| Export Credit ... ... ... | 500,000 | |
| Agricultural Group ... ... | 855,000 | |
| Police and Prisons ... ... | 1,595,000 | |
| General (24 Votes) ... ... ... | 102,000 | |
| | 3,590,000 | 3,590,000 |
| *Third Report—* | | |
| Colonial Group ... ... | 2,285,500 | |
| Legal Group ... ... ... | 94,500 | |
| Revenue Departments ... | 2,509,200 | |
| Houses of Parliament and certain Civil Departments | 935,000 | |

| *Third Report*—cont. | £ | £ |
|---|---|---|
| Works and Public Buildings Group ... ... ... | 895,800 | |
| Art and Science Group .... | 42,900 | |
| Foreign Office, &c. ... ... | 304,300 | |
| Stationery Office and Registrar-General ... ... ... | 584,300 | |
| Miscellaneous Group ... | 1,130,800 | |
| | 8,782,300 | 8,782,300 |
| Further Review of Estimates for War Pensions since First Report ... ... ... ... | | 3,000,000 |
| Grand Total ... ... ... ... | | 86,844,175 |

This gives £86¾ millions as against the £100 millions for which you have asked.

In order to make the further economies necessary, we have invited your attention to a reduction—

1. In naval expenditure, as a result of the Washington Conference.
2. In naval expenditure, under the heading of Oil Stocks and Oil Storage.
3. In military expenditure, upon a review of the foreign garrisons abroad.

We are confident that under these heads more than £13¼ millions necessary to complete the total of £100 millions can be realised.

4. We have therefore come to the end of our task, and have reviewed the expenditure remitted to us. Over a period of six months we have been in almost continuous session, and no member of the Committee has been absent from a meeting.

We believe that the reductions we have proposed throughout are attainable if prompt action is being taken by the Departments upon the general lines of our suggestions, and with determination to effect economies. We have no doubt whatsoever that a close scrutiny of expenditure by the Departments themselves and by the Treasury will disclose the possibility of further economies on the lines we have followed, as our investigations could not be exhaustive.

5. There is also one very important point in reserve. The Treasury in May last laid down that Departments should estimate upon a cost of living figure for the year 1922/23 of 100 per cent. above the pre-war level. As the cost of living has already fallen to 88 per cent. above the pre-war level, there appears to be more than a possibility that the Treasury forecast made in July last can be improved upon, and, as the cost of materials was also taken at the same hypothetical level, it will be seen that the estimates as a whole have in all probability a margin of

further saving in sight. Agreements, contracts and purchases will cause difficulty in the full realisation of this fall in prices.

We understand that the Revised Estimates of Civil Departments reflect, so far as could be forecast, the fall in prices of materials, but Revised Estimates have not been submitted by the Fighting Departments. We recommend that this point should be specially watched by the Treasury, and that each Department should specifically surrender such savings, so that the Taxpayer may benefit.

We wish to take this, the last opportunity, of stating that the task you set us was to say where retrenchment could be carried out with the least harm in order at any rate to balance the national accounts.

We do not lay claim to infallibility in our judgment, but hand you our final Report as the unanimous recommendations of five men of good will, desirous of advising you as to how, having regard to the revenue, the national Budget can best be balanced, and we suggest that criticism can only be constructive, on the remit which you gave us, if accompanied by concrete alternative proposals. It is in this sense that we hope the Government and the public will regard our Report.

6. In conclusion, we desire to record our deep appreciation of the assistance we have received from all members of the Civil Service. In every Department our path was made smooth for us by the Minister. The officials have also done everything possible to assist us.

With the Treasury we were in constant partnership of effort, and to Sir Warren Fisher and his staff we offer our special thanks.

Sir George Beharrell occupies a special place amongst those to whom we are indebted, and we must thank him particularly for the masterly aid he has given us.

The Secretary of the Committee, Mr. G. A. Steel, and Mr. G. C. Upcott and Mr. James Milne, the officers specially attached to the Committee, brought marked ability and energy to a difficult task. We give them our sincere and grateful thanks.

We are, Sir,

Your obedient Servants,

(Sgd.) ERIC GEDDES (*Chairman*).
INCHCAPE.
FARINGDON.
J. P. MACLAY.
W. GUY GRANET.

(Sgd.) G. A. STEEL
(*Secretary*).

21*st February*, 1922.

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